

R E P O R T R E S U M E S

ED 017 390

RC 002 401

TOWN AND COUNTRY BUSINESS PROGRAM. (TITLE SUPPLIED).

BY- LEYENDECKER, P.J.

NEW MEXICO STATE UNIV., UNIVERSITY PARK

PUB DATE 60

EDRS PRICE MF-\$0.50 HC-\$2.76 67P.

DESCRIPTORS- *AGRICULTURAL EDUCATION, *AGRICULTURAL PRODUCTION, *BUSINESS SKILLS, CONSUMER SCIENCE, COMMUNITY PLANNING, *EXTENSION EDUCATION, FINANCIAL SERVICES, FOOD STANDARDS, *RURAL AREAS, TRANSPORTATION, TEACHING PROCEDURES,

THESE 14 PAMPHLETS CONSTITUTE AN EXTENSION SERVICE PROGRAM OUTLINE FOR TEACHING A BUSINESS PROGRAM APPLICABLE TO RURAL YOUTH. THE CONTENTS INCLUDE BOTH A LEADER'S GUIDE AND AN EXTENSION WORKER'S GUIDE. THE REMAINDER OF THE PROGRAM DELVES INTO MARKETING, WHOLESALING, SALES AND SERVICES, STANDARDS AND GRADES OF PRODUCE, ASSEMBLY AND STORAGE, PROCESSING, TRANSPORTATION OF GOODS TO THE CONSUMER, PACKAGING, RETAILING, FINANCING, COUNTY PLANNING, AND FOOD SERVICES PERTAINING TO THE AGRICULTURAL PRODUCERS. (WN)

DOCUMENT FILMED FROM BEST AVAILABLE COPY

ED017390

400-Y-1-60

Leaders Guide

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
OFFICE OF EDUCATION

THIS DOCUMENT HAS BEEN REPRODUCED EXACTLY AS RECEIVED FROM THE
PERSON OR ORGANIZATION ORIGINATING IT. POINTS OF VIEW OR OPINIONS
STATED DO NOT NECESSARILY REPRESENT OFFICIAL OFFICE OF EDUCATION
POSITION OR POLICY.



Town and Country
BUSINESS PROGRAM

A YOUTH PROGRAM OF THE COOPERATIVE EXTENSION SERVICE

THE NEW MEXICO STATE UNIVERSITY • COLLEGE OF AGRICULTURE

EXTENSION SERVICE • UNIVERSITY PARK, NEW MEXICO

RC 002401

CONTENTS

	PAGE
Introduction	1
Background Information	1
PART I — Objectives of Town and Country Business Program	1
• Leadership	
• Operation	
• Participation	
• Key Points and Key Visits	
• Key Visits as a Teaching Tool	
PART II — Getting Started	6
• Planning Stage	
• Operational Stage	
• Types of Town and Country Business Programs	
PART III — Others Can Help Too	9





INTRODUCTION

Congratulations! Your decision to serve as a leader in the Town and Country Business Program will be a most rewarding and exciting experience.

Just now you may be wondering how you take part as a leader. Relax! This "Leaders Guide" will help you get started. Reading through it will answer most of your questions. Directions are included as to where you can find additional help if you need it.

BACKGROUND INFORMATION

Since the Town and Country Business Program is a part of youth activities in your county, you may enjoy knowing more about youth work generally. As you have observed, extension youth work is made up of voluntary organizations. Its one purpose is to develop boys and girls into more useful citizens. Through the Town and Country Business Program, you, as a leader, will have the opportunity to help members develop their own talents, teach them how to work well with other people, and equip them to take an active part in community progress.

You also will have the opportunity to contribute to the objectives of the Town and Country Business Program.



PART I

Objectives of the Town and Country Business Program

- Provide a greater understanding of business as it operates in the marketing field through firms associated with agriculture.
- Explore and discuss employment opportunities in business that are closely related to agriculture, so capable farm youth will be attracted to agricultural careers.
- Give youth who will go into farming a better appreciation of the problems and structure of agricultural marketing.
- Point to the needs and benefits of training and education for youth who anticipate employment with agricultural business firms.
- Teach some basic economic facts which will help participants to better fit themselves into present-day society.

LEADERSHIP

The Town and Country Business Program is designed to make use of several types of leadership:

Organizational Leaders Organizational leaders are responsible for the over-all operation and organization of the Town and Country Business Program. As organizational leader you will work with youth, junior leaders, committees, parents, business leaders, and county extension workers in the whole program.

Business Leaders Business leaders are selected from each of the participating agricultural business firms cooperating in the Town and Country Business Program. A business leader will help in each "Key Point" presentation and is in charge of the "Key Visit" to his firm. These people have special skills and will share their talents by giving special help to members.

Junior Leaders The enthusiasm of young people as leaders will become a real asset to your group. With some training and your support they can help plan and conduct meetings, demonstrations, exhibits, and many other activities in the operation of your program.

Parents A Town and Country Business Program is most successful if it has the interest and support of parents. Parents must know what is expected of them, however, if you want them to be generally interested and participate in the program. They must understand what extension youth work is and does. They must learn what is expected of their sons and daughters. They must acquaint themselves with the Town and Country Business Program.

You can help parents in this understanding by discussing their role during the organizational stage; make home visits; call on the telephone; send explanatory letters; hold special parents' meetings; let parents participate in planning; let them help with youth activities and events; and bring specific things to their attention for their help.

You may want to ask your extension agent for USDA Pamphlet 95, *Parents and 4-H Club Work*, and *'Parents' Opportunities in 4-H Club Work*, a commercial publication. This literature will suggest many ideas for action.

Committees Committees can play an important part in your Town and Country Business Program. Appoint only those committees that you really need to get jobs done. Assign specific jobs, making sure the committee understands what the job is. Committees can save time for the entire group. They should report their recommendations for approval of their proposals. As a leader, be sure to recognize their work publicly with an expression of appreciation.





County Extension Agents The role of the county extension worker in a Town and Country Business Program is significant. As the nearest representative of your State University, the extension agent serves you in these areas of activity:

1. Explains youth and agricultural extension work to leaders and members.
2. Provides you with materials for meetings.
3. Visits with your group on occasion.
4. Helps in planning the yearly program.
5. Keeps leaders and members informed about the overall county and state agricultural extension youth program.
6. Trains leaders.
7. Suggests ideas to build enthusiasm in members.

You can make most effective use of extension agents if you discuss occasionally with them how they can best assist you. Ask them to help with the planning of the program and events before the final plans are made.

Keep the agents informed about the activities of your group. Send reports and news clippings to the extension agent. Send them a yearly program of work, too. When agents know what you are doing, they are in a better position to help you.

Realize that occasionally an agent can make a real contribution to your program by being an observer rather than a participant in a meeting or an event. He or she then can make suggestions for the improvement of the program.

Attend youth council meetings and county extension meetings. Know your extension agents and the nature of their work, and learn how to use their talents and their services. Keep in touch with the county extension office.

OPERATION OF TOWN AND COUNTRY BUSINESS PROGRAM

No pat formula exists for the operation of the Town and Country Business Program. Its methods and principles are based upon the proved "Project Method." By this principle the young person is involved in a small-scale model or replica of situations found in real adult life. For example, in the dairy calf project, the member copes with many problems that exist in the management of the dairy herd. This approach is a powerful educational experience in developing the members.

In the Town and Country Business Program the business firm becomes the tool by which we illustrate problems and operating principles. The supporting business firm and its personnel assist in providing a

laboratory in which members can achieve greater understanding of business procedures and the marketing of farm commodities.

Nearly every community in the nation has some type of agricultural marketing firm. Each group must take full advantage of whatever local opportunities are available.

The purpose of this manual is to illustrate how your group through the Town and Country Business Program can take advantage of the common characteristics found in most firms. Many local situations illustrate and demonstrate important lessons in marketing, business operations, and economics.

Participation in the Town and Country Business Program

The program is slanted toward the interests of maturing boys and girls. The youth involved in this program are generally beyond the tenth grade level. The project should prove most interesting to age groups often referred to as "Older 4-H," "Senior Extension," or "Young Men and Women Groups." Maturity of the group should not hinder the learning experiences offered by the program.



Key Point Meetings and Key Visits

The Town and Country Business Program should have both Key Point Meetings and Key Visits formally planned.

The ideas which are to receive emphasis during the course of the project are designated as *Key Points*. They are simply major ideas of economics, marketing, or business principles that are considered during the Key Point Meeting sessions. Key Point reference manuals are available to leaders, extension workers, cooperators, and members. These contain the subject matter that can be used as a basis for Key Point Meetings. Direct discussion of Key Points should not be extended beyond the attention and interest span of the members.

A Key Point Meeting is a presentation which places emphasis on one of the key points. This presentation is often made by the business leader who will later help with the Key Visit to his firm. The business leader will use experiences with his firm to put life and interest into the Key Point. To help in this presentation several aids have been developed.

A KEY POINT KIT is provided for each Key Point Meeting, if requested. The kit is complete and contains:

1. A Key Point Reference Manual.
(Example: "Retailing")
2. A Key Point Reference Outline.
3. Key Point Visuals. (Example: slides with tape-recorded commentary; movies.)
4. Management's Guide Book.
(A Key Visit Guide Book.)



The KEY VISIT is a field trip to a local agricultural business firm, enabling members to observe marketing and enterprise in action. The Key Visit extends the abstract ideas of the Key Points into real life situations. Economics and marketing become dramatic and alive through proper use of the Key Visit. The Key Visit will help to develop appreciations and convictions that cannot be gained through discussion, talks, and movies.

The big risk involved in the Key Visit is that it can evolve into the taking of a field trip simply for the sake of making an excursion. To be successful the Key Visit must be a teaching tool.

The Key Visit should be as closely related as possible to the Key Points being considered by the group. In any firm there will be overlapping of functions; therefore choose the firm that best exemplifies the Key Point under consideration. The visit should explore the experiences, problems, and processes of the firm in terms of the objectives of the program.

Prior to the Key Visit, discuss and establish the need for answers to pertinent questions:

- Why are we going?
- What do we expect to find out?
- What questions shall we ask of management and how shall we present them?

Key Visits as a Teaching Tool

The Key Visit should bring into focus the *where*, *what*, and *who* of community economic life. Members should understand that teamwork makes the production and distribution of goods and services possible and that teamwork means people are involved. What, for example, are the relationships between management and workers, and how are these relationships fostered and maintained?

Workers and employers are not the only people involved in the production and distribution of goods and services. Members must understand that there are others whose interests are related to those of employers and workers. Without stockholders, whose money has been used to furnish tools and other equipment, large-scale private enterprise would not be possible. Without consumers there would be no sales,

and therefore no profits for investors nor jobs for workers and management. Without farmers, the producers of basic food and fiber materials, there could be no industry.

The broad outlines of the complex structure that makes production, distribution, and consumption possible should be grasped by the member. He should see the plant and equipment that capital investment has made possible. He should know what that capital investment is. He should understand why portions of the profits should be earmarked for new equipment, research, expansion, and investors.

The member should gain some insight into distribution and sales of the products and the role of agriculture to the enterprise. He should get a grasp of the factors related to distribution; he must realize that effective distribution and ultimate sales determine job stability for all workers in the plant or factory and its office and sales staffs. He must see, too, that long-range planning relies upon constant research for new materials, better products, and improved production methods. He must understand why these factors determine production plans and workers' jobs.

It is suggested that the complete Key Visit schedule be developed prior to formal organization of the group. Tentative arrangements should have been made with business personnel prior to organization. Completed plans for Key Visits should be confirmed with the business leader a week or two before the visit. *It is helpful if the organizational leader and business leader tour the facilities in advance.* This procedure proves useful in calling attention to the important aspects of the business when members participate at a later time. This advance knowledge is helpful also in Key Point discussions during the formal meetings. The management's Guide Book provides an outline for planning Key Visits.

It is polite to have some member appointed to give a response of "thanks" on behalf of all the members for the courtesy and the help given by the firm.

PART II

GETTING STARTED

Planning Stage



Operational Stage

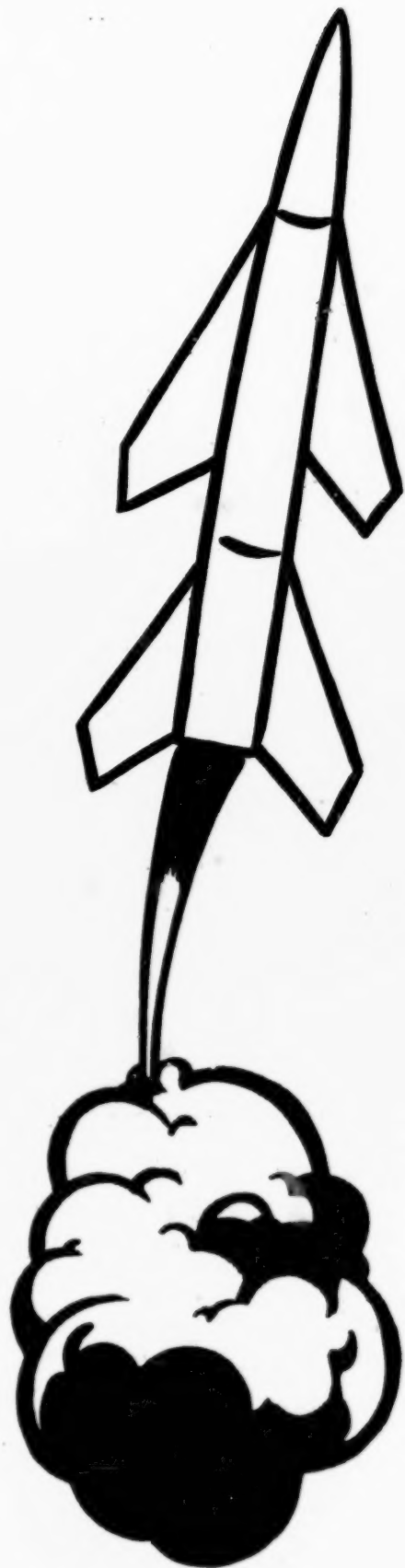
I. Planning Committee Meeting: Here the Town and Country Business Program idea is presented to selected youth in leadership roles, business firm officials, civic organization leaders, extension personnel, and parents. Provide an understanding of the program and generate interest among these leaders. Illustrate by example how the Key Point Meeting and the Key Visit operates and obtain further suggestions from the group as to other business firms that can help in the conduct of the program. If interest is sufficient, develop a tentative calendar of Key Point Meetings and Key Visits. (See example on page 8.)

II. Make Personal Visits: Get commitments from all of your business representatives. Be sure that the businessman knows the role he is to play in the program, the aids that are available to him, and ideas that you wish to teach by his participation.

III. Luncheon Meeting (Optional): This can be a luncheon meeting of representatives from all business firms that have indicated a willingness to help with the programs. To the entire group indicate the opportunity they have to serve youth and indirectly benefit themselves. This will provide opportunity for each businessman to see how his contribution fits into an educational pattern with those of his neighbors.

I. First Meeting of Youth: The purpose here is to build interest, appreciation and enthusiasm for the program. Indicate some of the drama and excitement that is present in the Key Points and Key Visits that you have planned. Develop human interest in the successful personalities from business with whom the young people will have opportunity to meet and work. Get youth into the picture here by having some of them tell how they participated in the planning stages. This is a program which local youth had a hand in planning. Sometimes it is possible to have an enthusiastic young person who has previously participated in the program to speak on "My Experience in the Town and Country Business Program."

The Key Point "What Marketing Means to You" fits well into this first session. This generally does not involve a Key Visit, but is used to give an idea of the nature of the program. There are movies and slide sets available to help in putting this important meeting across. Remember your first impression must be a good one to get the program going.



II. First Key Point Meeting: For this meeting have a snappy presentation on one of the Key Points available. This is usually handled by the firm which will be your host at the ensuing Key Visit. Hand out the Key Point Manual on the subject which this meeting emphasizes. The Key Point Kit on this subject will contain helpful visuals.

III. First Key Visit: Here's where you dramatize the main ideas of the previous Key Point Meeting by a visit to the cooperating firm. Put all the elements of a successful Key Visit into action to build interest and achieve the objectives of the visit. Remember that a pretour of the firm is generally needed in order to have a smooth running, valuable, educational experience with a Key Visit.

IV. The remainder of the program will consist of alternating Key Point Meetings with Key Visits until completion of the program. There is no specified number of Key Points indicated for completion of the program. The extent to which this education experience is pursued depends upon the interests of the young people and the cooperating business firms.

V. Final Meeting: Mark the completion of the program by staging a local event, such as a family night, a banquet, or similar affair. This might be staged by youth in honor of the cooperating businessmen or vice versa.

TYPES OF TOWN AND COUNTRY BUSINESS PROGRAMS

General-Type Marketing Program. This program is developed around the interests of several local firms. Each firm represents a laboratory in which selected Key Points are emphasized. A Key Point Meeting and Key Visits are alternated during the course of the project. Members can participate in a Town and Country Business Program for three successive years. Each year leads to further specialization in a commodity or firm.

In developing a Town and Country Business Program, consider first the local resources available for Key Visits.

Nearly every community has several business firms which participate in the distribution of agricultural commodities. Your community may have a cotton gin, dairy plant, grain elevator, trucking firm, lumber mill, or other business firms that perform marketing functions.

A Suggested Agenda for Marketing Firm Participation

Name of Firm	Key Point Topic Presentation	Key Visit
Jay Trucking	Extension Office Jan. 1 (Transportation)	Warehouses and Facilities Jan. 15
Glenn's Grocery	Community Center Jan. 30 (Retailing)	Retail Store and Warehouse Feb. 15

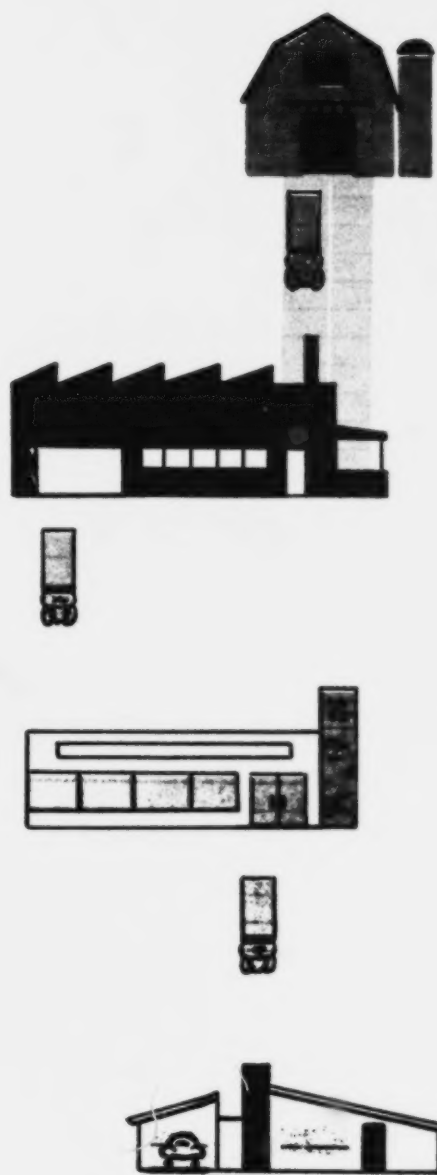
Select any number of these firms which you feel could be helpful in demonstrating the Key Points presented in the Key Point Manuals. What a particular business will be able to contribute to the program will depend largely on the nature of its marketing functions. After study of the Key Points, you and the management of the firms can adapt and include other experiences that will be important to the development of youth in understanding the economic ideas of our daily living.

In planning potential support you will have to become familiar with the marketing firms of the area and the functions they perform. Make appointments with firm managers for personal visits to explain the Town and Country Business Program and secure business participation. In most areas the local Chamber of Commerce will have available lists of firms and may suggest firms that might cooperate.

All of the foregoing description applies to the *General-Type Marketing Program*. If interest continues you might wish to continue into a second and third phase of the program. This provides opportunity for increasing specialization of interest. This should involve the youth who have shown a high degree of interest and participation. In the second phase of the program the young people interested in a particular firm or industry concentrate their activity to that single business. One or more participants select and work closely with the cooperating firm in further study of the organization. They pay particular attention to the marketing and other business functions as they relate to the firm they select.

During the Key Visits in this phase of the program the members spend considerable time — half day or more — in each department of the firm. The Key Point Meetings might be held with the groups that are currently engaging in the first phase of the program, with the more experienced youth serving as resource persons or junior leaders. In this capacity they might occasionally report on interesting aspects of their activity with their sponsoring business.

In the third phase participants follow the same general procedure as for the second year. But in addition these contacts may provide full-time or part-time employment if the employer is interested and if the member has reached employment age.



Alternative Types of Programs

If the local situation or group interest does not provide the basis for the General Type Club, here are two alternate ways to develop a Town and Country Business Program.

Single Firm-Type Business Program This type is a program developed around a single firm. With this type of organization the group considers topics listed in the Key Points as demonstrated by the operation of the cooperating firm. Meetings and Key Visits follow the procedures outlined in the General-Type Marketing Program, but are focused on the marketing functions of a single firm. Various firms, of course, will require different emphasis on the Key Points. The ideas to receive emphasis and the adjustment to be made in the schedule are worked out prior to initiation of the program. These procedures should be developed in a conference of the responsible extension worker, the local firm manager, the local adult leader and a representative of the youth membership.

Commodity-Type Marketing Program This type is a program that is developed around several firms in which a single commodity is studied through the marketing channel. Members consider generally the same Key Points, following the same meeting routine as in the General Type Club. Each Key Point is demonstrated by observing applications to a single commodity. This might provide an advanced program for a commodity production group, such as a baby beef project club.



PART III

OTHERS CAN HELP, TOO!

You, as a leader, can get help in many places to conduct your Town and Country Business Program. The agents in your county extension office are always ready to assist. These people are part of your community and are quite interested in seeing the Town and Country Business Program grow. They are equipped to answer your questions and to help you solve any problem that might become a stumbling block.

You may have a leaders' association in your county. If so, you will want to become an active member and take part in planning and guiding the extension youth program. You will have the opportunity also to visit with other leaders who have this common

interest, and they will convey their helpful experiences to you. They also will benefit from your comments.

Many counties have a youth members' association or a county council. This organization varies in composition from county to county. In some counties it is composed of the junior leaders, while in others, membership is elected on an area or group basis. Check with your county extension agent to find out how your group can be represented. This group assists the extension agents and the leaders in planning and conducting different activities and events.

One of the best ways for you to secure additional help is by attending the leader training meetings held

in your county. Most counties hold regular leader training meetings, and your group will be benefited if it is represented. When an idea for a training meeting occurs to you, write a note to or call your county extension agents. You may want also to attend regional leaders' conferences when they're held in your region.

Remember you can get some of the best help from those who are doing the same type of project. Other leaders and older members often can give you the most practical suggestions. Visit other groups; have other leaders and members appear on your program; attend meetings and events and exchange ideas with leaders from all parts of your county and state.

Bulletins, circulars, and books are usually the convenient references and guides for any leader. They

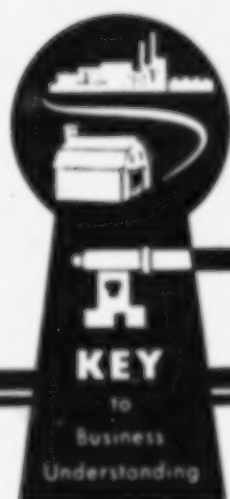
are available upon request from your county extension office.

Just one final word before you get started. Remember the success of an active Town and Country Business Program depends on how well you can involve everyone in the program. A good leader isn't necessarily one who does everything himself, but one who has the ability to involve other people in getting things accomplished. You will want to vary your techniques at different meetings from buzz groups, huddles, panels, listening teams, and role playing to evaluation teams. These techniques and others can be discussed with your county extension agents.

Good Luck!



Published and distributed in furtherance of the Acts of Congress of May 8 and June 30, 1914, by the Agricultural Extension Service of New Mexico State University, P. J. Leyendecker, director, and the United States Department of Agriculture cooperating.



Town and Country

BUSINESS PROGRAM



Extension Workers' Guide

Recognizing these changes and the impact they have upon youth and Agricultural Extension Service programs, let's see how the Town and Country Business Program fits into the changing scene.

Objectives of the Town and Country Business Program

- Provide a greater understanding of business as it operates in the marketing field through firms associated with agriculture.
- Explore and discuss employment opportunities in business that are closely related to agriculture, so capable farm youth will be attracted to agricultural careers.
- Give youth who will go into farming a better appreciation of the problems and structure of agricultural marketing.
- Point to the needs and benefits of training and education for youth who anticipate employment with agricultural business firms.
- Teach some basic economic facts which will help participants to better fit themselves into present-day society.

Beyond the achievement of these objectives are some very important benefits to the Agricultural Extension worker:

- The project will broaden his experience in a new and vital field which is of concern to all in agriculture.
- This project can be a means of stimulating additional educational activity with older youth groups.

Why Have a Town and Country Business Program?

Youth work constitutes an important part of any county Agricultural Extension Service program, and it is from this nucleus that we find many of our leaders of tomorrow. In today's changing agricultural picture, fresh challenges are apparent in all phases of Agricultural Extension work, and new methods, techniques, and sometimes audiences must be found. The Town and Country Business Program is designed to meet some of these challenges.

Think for a moment about some of the changes which have become so obvious in recent years:

- The majority of farm youth today will earn their living as adults at off-farm jobs.
- Farm production is becoming more oriented toward the requirements of the market place, and there is need for increased understanding of the marketing system.
- Relatively few of the nation's youth have access to classroom training in economics and marketing.

A YOUTH PROGRAM OF THE COOPERATIVE EXTENSION SERVICE
THE NEW MEXICO STATE UNIVERSITY • COLLEGE OF AGRICULTURE
EXTENSION SERVICE • UNIVERSITY PARK, NEW MEXICO



Some Important Facts for the Extension Worker to Consider

- The Town and Country Business Program should never be started simply to have another club or to add another activity to the Agricultural Extension worker's already busy schedule. Starting this program requires a lot of time and work, but if properly initiated, it will soon develop to require much less of the worker's time.
- The project should be designed to help youth learn and grow through informal educational experiences.
- The Town and Country Business Program is designed to be conducted by organizational and business leaders with Agricultural Extension personnel serving as resource persons.

Role of the County Extension Worker

As pointed out in the Leader's Guide, the role of the county Agricultural Extension worker becomes that of a resource person:

- Explains youth and Agricultural Extension work to leaders and members.
- Provides meeting materials.
- Visits group on occasion.
- Helps to plan the yearly program.
- Keeps leaders and members informed about over-all county and state Agricultural Extension youth program.
- Trains leaders.
- Suggests ideas to build enthusiasm in the group.

Mechanics of Getting Started

Organization

In organizing a Town and Country Business Program it is necessary to do some systematic planning! Who will be the audience? Who will be the leaders? Which business firms shall be included in the program?

The best planning job will be one that involves a sampling of the people we'll want to reach, and the people with whom we'll work to accomplish our goals. The following outline for a community or county planning meeting is suggested:

Outline for a Community and County Planning Meeting

This meeting involves representation from the following groups:

- County Agricultural Extension staff
- County Executive committee
- State Agricultural Extension Youth staff
- Area or State Marketing staff
- Youth (4-H, YMW, etc.)
- Agricultural marketing business firms
- Parents

Agenda for a Planning Meeting

- I. A film or slides depicting the marketing picture with all its challenges and opportunities to present-day agriculture.
- II. The County Agricultural Extension staff relates this visual to the local situation. Emphasis is placed on the need for better insight and training to meet the situation.
- III. The operations of the proposed program are explained. (See page 6, Leader's Guide.)
- IV. The county staff seeks the cooperation of the planning committee in contacting agricultural marketing firms and inviting their participation.

How to Enlist Support

There are two ways to enlist the cooperation of business firms.

Each firm may be contacted individually, or selected executives of prospective firms may be invited



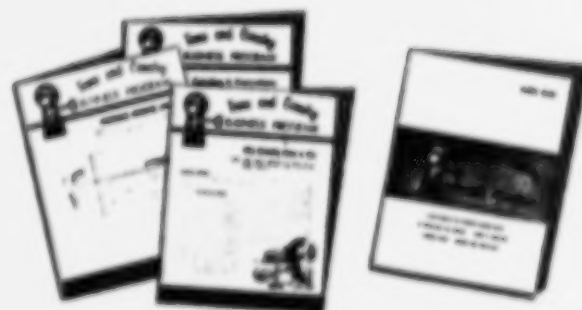
to a group meeting. If the latter method is used, these procedures are suggested:

- I. The meeting is announced by a letter from the planning committee, followed by a personal invitation from the county Agricultural Extension agent. (The planning committee may choose to make this a dinner meeting, perhaps sponsored by some civic group.)
- II. The meeting is opened with a welcome by the chairman of the planning committee, who introduces the county agent.
- III. The county agent outlines the current changes in agriculture (slides, movies, charts, etc.). Emphasis is placed on present needs and opportunities.
- IV. The state club leader, marketing specialist, or county agent outlines the Town and Country Business Program. Copies of materials are distributed and briefly discussed to show the available aids for meetings. Emphasis is placed on the benefits of the program to youth.
- V. Firms are asked to consider this program.
- VI. A suggested schedule for marketing firm participation is developed, as found on page 8 of The Leader's Guide.

Business Program Leaders for The Town and Country

One of the secrets of a successful program is your ability to find and work with the right kind of leadership. The Town and Country Business Program lends itself to two distinct types of voluntary leadership.

Organizational Leaders. Organizational leaders are responsible for the over-all operation and organization of the Town and Country Business Program. As organizational leader you will work with youth, junior leaders, committees, parents, business leaders, and county Agricultural Extension workers in the whole program.



Business Leaders. Business leaders are selected from each of the participating agricultural business firms cooperating in the Town and Country Business Program. A business leader will help in each "Key Point" presentation and is in charge of the "Key Visit" to his firm. These people have special skills and will share their talents by giving special help to members.

Finding Your Leaders

Perhaps you've developed your own technique for finding leaders. If so, that same technique should work in the Town and Country Business Program. If you have been having a problem along this line, here's a three-step tip that may help you:

1. First, know what you're looking for. In the Town and Country Business Program, your organizational leader must be able to work with older youth, business firms; and the county Agricultural Extension staff.
2. The second step is to talk to leading people about this type of person. Ask for their help. Get names of candidates. Spend enough time at this phase, so you have some definite prospects.
3. Invite your favorite prospect to spend some time with you, so you might explain the program and secure his support.

These steps can be applied to find organizational leaders.

In obtaining the business leader, it is recommended that you work with the top executives of the firm. This procedure has several advantages:

- It acquaints the officials of the firm with the program.
- It gives top administration an opportunity to clear any policy matters which would affect the operation of the program.
- It gives administration an opportunity to recommend to you the person in the firm best suited for the job.
- It provides an opportunity for administration to follow through and evaluate the firm's participation in the program.



By proper selection of leaders, a major step toward a successful Town and Country Business Program has been taken.

How to Find Your Firms

Another basic principal for a successful Town and Country Business Program lies in the firms selected as cooperator. To aid in this selection process you'll want to rely on your own personal experience of past acquaintances. Also consult your marketing agents or marketing specialists and profit from their past experiences with these firms. Actually, many county Agricultural Extension workers and marketing agents work together in making these original decisions and contacts. This approach seems to work extremely well, because it brings together the three Agricultural Extension members so they can work closely for a successful program. These persons should include the county Agricultural Extension worker, the state Agri-

cultural Extension youth leader, and the area or state marketing specialist.

Most any firm can adapt its facilities to meet the needs of the Town and Country Business Program, providing it has the desire and enthusiasm to cooperate.

One Final Comment

The Town and Country Business Program is designed to take a minimum share of the Agricultural Extension worker's time after it is in operation. It requires a maximum effort in the initial stages — before you can put it in "automatic drive." The kind of program you have, therefore is, directly dependent upon getting started properly.

You'll find that the Town and Country Business Program gives real strength to your county Agricultural Extension program.

Good Luck!



Published and distributed in furtherance of the Acts of Congress of May 8 and June 30, 1914, by the Agricultural Extension Service of New Mexico State University, P. J. Leyendecker, director, and the United States Department of Agriculture cooperating.



Town and Country

BUSINESS PROGRAM

What Marketing Means to You

Purpose: To give members an appreciation of the people, firms, and activities involved in the flow of goods and services from producer to consumer.

Marketing Defined

Marketing is the performance of business activities that direct the flow of goods and services from the producer to the consumer.

The Key Point Story

Ages ago in the day of Nomar* the cave man life was simple, but it was extremely hard, too.

Nomar supplied all his own needs and provided everything for his family by his own strength and skill. Skin of beasts provided extra warmth for members of his family. Food was a hit-or-miss proposition.

Eventually Nomar's children's children's children saw that some people in the tribe were exceptionally good at doing certain tasks - let's say, chipping stone into finely fashioned arrowheads. This was specialization.

Specialization enabled people to develop skills. They became expert in these skills, became with repetition they were able to develop proficiency. Today, even on a baseball team, you have specialization. Each man works intensely to do a single task well, but each member of the team contributes to the whole game.

Nomar's children's children's children, and even many children later, found that with specialization, they could produce more abundantly, but they had to trade to gain the benefits of their increased production, so, they did just that: they traded.

They traded pottery for meat, stone axes for skins, and even ornaments for wives. Here we have the real beginning of trade. They had no money. They just traded or swapped one thing for another. It was simple, but also tough. To obtain a goat, the maker of the clay urn had to locate a shepherd who needed the pottery. However, since the shepherd having an extra goat might have no need for pottery, a trade was impossible.

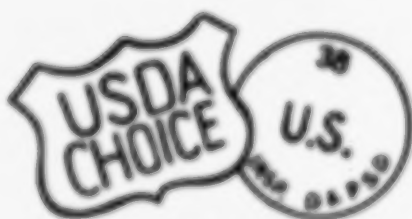
Then came gold and silver, salt and spices. Nearly everybody wanted some of these things. They became recognized as a medium of exchange. Coins of gold and silver came into being. This was a specialized medium of exchange, which today we know as money.

As trade developed, so did markets. Actually, the markets were a result of specialization. The medieval fairs became the places where each craftsman could display his particular ware. Thus,



*The Nomar, derived from "no markets"

A YOUTH PROGRAM OF THE COOPERATIVE EXTENSION SERVICE
THE NEW MEXICO STATE UNIVERSITY • COLLEGE OF AGRICULTURE
EXTENSION SERVICE • UNIVERSITY PARK, NEW MEXICO



in these market places the whole range of products became known to the early world.

However, the intricate and complex system of markets and marketing as we know it today is more recent. Only since the 1900's with the advent of fast and rapid transportation have we seen anything like modern marketing. Today there is more specialization than ever before. Even the areas of agricultural production are centralized. Feed grain production is heavily concentrated in the Central States; wheat in the Great Plains, fruit in California and Florida; tobacco in the Carolinas, Virginia, Kentucky, and Tennessee; cotton in the southern states; wool in the western states and Texas; eggs in the central and northeastern states; milk in the north central and northeastern states; beef and hog production largely in the regions of high grain production.

Kansas wheat is of no use to the housewife in Atlanta who wants to make rolls for dinner. Cattle on an Iowa farm are not prime steaks in Albany. Cotton in an Alabama gin is not a party dress in Boston.

A Concept of Marketing

Normally, we exclude from marketing the manufacturing operations that materially change the shape or form of farm products. It is questionable whether certain operations are really marketing, production, or manufacturing. For example, can the processes involved in making milk into cheese be called marketing?

For our purpose we won't question fine points of definition. We know that even in the complicated manufacturing processes marketing plays an important role in determining how the product shall be presented to its potential customers.

Every marketing man tries to do three things with his product or products: (1) fulfill needs, (2) satisfy wants, (3) stimulate new desires. In this way he and millions of other people concerned with marketing perform services for which they earn wages or income.

Thus, marketing becomes a way to make a living; it's a job to do. Indeed, if you'd ask a milkman why he does his job, his reply would likely be, "To make a living." But, the living comes only as a result of performing specific services that are desired by consumers.

In the marketing of any product there is a common thread of tasks which must be performed to get a product from the producer to the consumer.

Marketing Is a Series of Functions

Here's a list of jobs or functions that must be done in the big job of moving products from the farm to the consumer:

- Assembly and storage
- Transportation
- Standards and grades
- Processing
- Packaging
- Financing and risk-bearing
- Market information
- Sales and service

If you can visualize farming as the performance of jobs like plowing, planting, cultivating, harvesting, feeding, and many other tasks, you can see how marketing can be a program involving many functions. Some authorities expand this list to 30 or more functions. Others may reduce it by one or two. The important thing is to recognize the general functions of marketing rather than argue the exact number of steps required.

Even Nomad, the cave man, performed some of these functions without a market-oriented world. He assembled and often stored food for use later in the year.

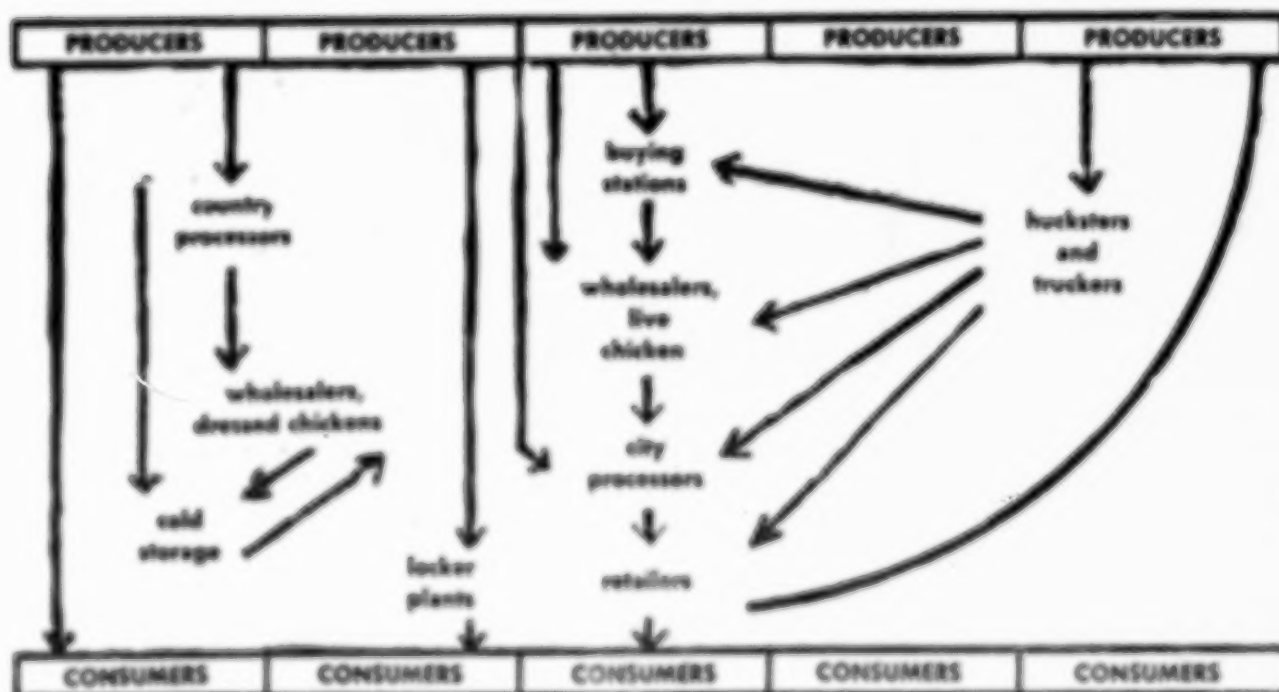
To understand how these functions work in modern marketing, let us consider the hamburger you enjoy at your favorite drive-in.

For our purpose let's consider that the marketing of that hamburger began when the farmer loaded his cattle into a truck and transported them to the stockyard or auction. At this point livestock are assembled in sufficient numbers to justify meat packers sending buyers to select the type of cattle required to satisfy the wants of their particular markets. At the stock-



yards both buying and selling occur. Often the cattle are graded into prime, choice, good, and utility grades to meet the standards required by the packer. Market news services report sales prices from many stockyards via newspaper, radio, and television. This reporting service provides many people with information about market conditions. The buyer will transport again the cattle to the packing plant where they are processed into steaks, hamburger, and many other meat cuts and by-products.

At the packing plant veterinarians of the U. S. Department of Agriculture inspect the meat. You've



seen the blue stamp that sometimes appears on a cut of meat, "U. S. Inspected and Passed."

In order to assure quality, the meat is sold according to grade: prime, choice, or good. The producer may have done some grading of his cattle before marketing so the lot would give a uniform appearance to the various buyers. A packer probably will store meat products for several weeks or even for several months.



Not so obvious as some of the other functions is financing. Some people are willing to lend money so that many of these marketing functions can be performed more adequately. Financing may be involved at a number of points in the marketing channel, since someone has money invested in the product at each stage from producer to consumer.

The packer sometimes packages products to give an attractive appearance, provide handling convenience, and assure protection of the products during marketing. Packaging might be considered as a help in selling, but it also facilitates transportation and handling.

In addition, the packer has salesmen calling on stores, restaurants, butchers, and other outlets. Here again, both buying and selling take place.

The hamburger is delivered to the drive-in. A few more hours or days of storage occur. Meanwhile, the manager of the drive-in will use many types of advertising to stimulate your desire for a tasty hamburger. A flashing neon sign, courteous car hops, and a unique building are all used to create desire, stimulate need, and satisfy a want. When you pay your money for the hamburger, you are involved in the last of many marketing transactions which started with the farmer. Selling you the hamburger is an example of retail sales and service.

Using the hamburger as a simple illustration, you can see that the functions we listed earlier have to be performed one or more times to get any type of goods into the hands of consumers.

While you can eliminate or change the individuals or firms that perform these marketing functions, you cannot eliminate the functions.

Examples of Marketing

Now that we are aware of the job of marketing, let's look at the people, firms, and institutions that perform these functions.

Consider the fried chicken you may have had for dinner. This chicken might have been bought directly from the farmer-producer.

This is the most simple form of marketing. On the other hand, you more likely bought the chicken from a retail store, whose owner might have bought his supply wholesale directly from the producers.

But the flow of chicken from producer to consumer could involve even more business firms or institutions.

The diagram shows the various routes by which chicken might move from producer to consumer.

This diagram is really a map showing marketing channels for chicken. Could you draw a similar map for another commodity?

In other words, the diagram shows most or all of the routes through which a product might flow from producer to consumer. These routes are known as channels of distribution or channels of marketing.

Marketing channels always include the producer and final buyer. The producer himself will often perform one or more marketing functions before delivery to the first handler in the marketing channel. Marketing channels include the middlemen involved between the buyer and seller.

The middlemen include wholesalers, retailers, brokers, and marketing agents of various kinds. Some of the middlemen, such as brokers, never take title to goods they handle; they are paid only for performing certain marketing services. Brokers are important in marketing fresh and processed fruits and vegetables and certain other commodities.

In marketing you must know what services the various middlemen perform. Simply to eliminate a middleman does not assure reduced costs. Actually, many services of the middlemen are required for successful selling. They must be paid for performing these services.

The people and firms that do marketing usually are organized to conduct business transactions. People join together to achieve efficiency in marketing and other economic activities.

Types of Business Organization

Four kinds of teams operate among middlemen. They are:

1. Proprietorship
2. Partnership
3. Corporation
4. Cooperative

Let's consider each of these forms of business organization.

In the *Proprietorship*, one person is the sole owner of the business. He has full responsibility for management and keeps any profits made by the business. He also suffers the losses if the business fails.

The *Partnership* has two or more owners in the business. Profits or losses are divided according to a contract, either verbal or written.

The *Corporation* is a business owned by few or many stockholders. The corporation is considered an artificial person by law. A board of directors elected by the stockholders decides the broad policy of the organization, which is put into effect by the management of the corporation. The management is usually headed by a president and other officers. Stockholders have a voice in management of the firm because they vote for members of the board of directors. One vote usually is cast for each share held.

The *Cooperative* is similar to the corporation in many ways. Usually, it exists to perform marketing or business services for its members and patrons at low cost rather than to make direct profit for stockholders. Members own the business and vote in annual meetings. Usually, one vote per member is the rule. Money to start and operate the business is supplied mostly by members and patrons. Members of a cooperative are the ones who use its services, while in a corporation the stockholders are primarily suppliers of capital and not necessarily customers.

Marketing Is a Big Job

The marketing job is big, exciting, and dramatic. During your participation in the Town and Country Business Program, you will study some of the exciting aspects of American business and marketing. You actually will see the system in operation and talk with interesting people who have important roles in its operation.



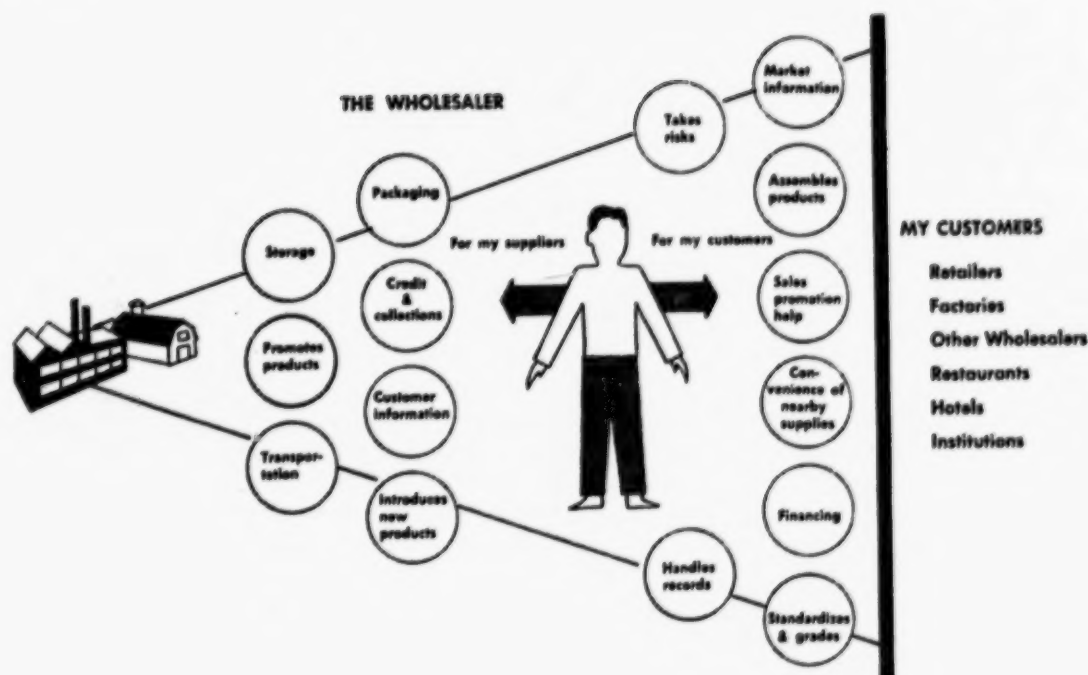
Published and distributed in furtherance of the Acts of Congress of May 8 and June 30, 1914, by the Agricultural Extension Service of New Mexico State University. P. J. Loyendecker, director, and the United States Department of Agriculture cooperating.



Town and Country

BUSINESS PROGRAM

Wholesaling



What is Wholesaling?

A wholesale transaction is one in which the buyer makes a purchase to resell at a profit, or to use the purchased item to conduct a business. Wholesaling usually involves more goods than are usually purchased by an ultimate consumer.

When a friend offers to get you a tire at "wholesale," he really means that he'll get the tire at a lower price. It is not a true wholesale trade, because it is

a purchase for private use; it involves only one tire, and is not intended for resale.

On the other hand, a service station operator orders a number of tires from his supplier to fill the needs of retail customers. This order is a wholesale transaction, since the purchase is intended for resale at a profit. You sometimes will find instances of wholesale deals involving a limited number of items; for example, a drugstore might make a wholesale order of certain rarely used pharmaceuticals in very small

A YOUTH PROGRAM OF THE COOPERATIVE EXTENSION SERVICE
 NEW MEXICO STATE UNIVERSITY • COLLEGE OF AGRICULTURE & HOME ECONOMICS
 EXTENSION SERVICE • UNIVERSITY PARK, NEW MEXICO

amounts. This procedure, too, would be a wholesale transaction, since it is a purchase for resale at a profit. Usually, wholesaling involves relatively large volumes, especially in wholesaling of agricultural and food products. Indeed, the word "wholesale" itself implies the selling in "whole" lots or "unbroken" lots.

Farmers engage in wholesaling when they sell apples to a processor, milk to a dairy, or cut flowers to a chain store. The apple processor engages in wholesaling when the company makes case-lot shipment of apple sauce directly to a chain-store system or to a wholesale house which services several grocery firms.

In the broadest use of the term, the manufacturer in selling a pasteurizer to a dairy plant engages in a wholesale transaction. The dairy plant is merely using the machine for its own profit motive.

Firms selling supplies to schools, hospitals, restaurants, hotels, and similar institutions also engage in wholesaling transactions.

We usually consider a wholesaler as a firm or person engaged in selling to retailers, institutions, or jobbers rather than to consumers. Many retail firms do some wholesale selling without its being the major part of their business. On the other hand some wholesale firms do a small part of their business in retail transactions.

The wholesaler is a part of the marketing chain in the distribution of many items. Like any people engaged in getting goods from the producer to the consumer, the wholesaler can continue in business only if he performs marketing services which someone feels are worth the involved cost.

Let us examine more closely some of the services performed by the wholesaler.

The wholesaler must always do some *buying*. His customers depend on him to make contact with manufacturers and suppliers and to seek out new products to meet their particular needs.

Another marketing activity of the wholesaler is that of *transportation*. Since the wholesaler buys in large volume, he often is able to take advantage of reduced cost of full-carload shipments.

Wholesalers do a lot of *storage*, too. Many times their warehouses and storage facilities represent a major aspect of their investment. They are thus in position to store goods for longer periods and often at a lower cost than the manufacturer or retailer. Because wholesalers have specialized storage operations, the retailer has to take only the quantity required to fill his short-time needs. He knows his wholesaler will be able to supply additional units on very short notice.

Grading is done especially by wholesalers of agricultural products. In these instances the wholesaler might buy from producers who have given the com-

modity only a "rough" grading. A wholesaler who handles tomatoes will sometimes grade his purchases to meet the standards agreeable to him and his respective customers. A grain merchant will grade wheat and other commodities prior to resale.

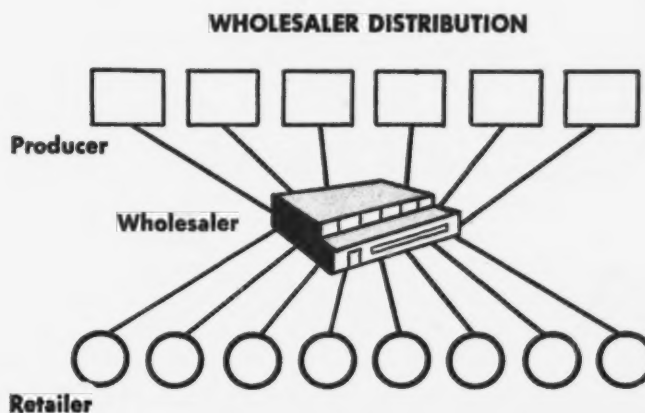
Since the wholesaler is in day-to-day contact with both retailers and producers (or manufacturers), he often is a vital link in the *market information* network. He passes back to his suppliers the response of his customer to products, prices, and marketing policy. The wholesaler also passes news to retailers about new products and other changes in the industry. The service wholesaler also performs advertising and merchandising services.

Another function performed by the wholesaler is *financing*. Wholesalers will extend credit to the retailer on a wide variety of terms. Also, he has his own money invested in the items that he has in his warehouse or other storage facility, while the retailer has a relatively small amount of money invested in stocks that are required for immediate or nearly immediate sales.

Not all of these marketing activities will be performed by all wholesalers, but at least some will apply to every wholesale business.

As you participate in your Key Visit with a wholesaler, try to determine which of the functions he performs.

There are various kinds of wholesalers, but the two major categories are service wholesalers (sometimes called merchant wholesalers) and limited-function wholesalers.



Use of the wholesaler simplifies the flow of goods to retail outlets. It often assures more complete coverage of local markets. Deciding whether to use wholesalers or other methods of distribution is the job of marketing management.

Service Wholesaler and Limited-Function Wholesaler

The service wholesaler will perform all of the functions discussed earlier. Here are some examples of the fields in which service wholesalers operate.

Sporting Goods	Grocery and Goods
Automotive	Hardware
Chemicals	Jewelry
Paint	Lumber
Clothing	Paper and Its Products
Coal	Petroleum
Drug	Plumbing and Heating
Dry Goods	Supplies
Electrical	Tobacco
Fruits and Vegetables	Waste Materials
Home Appliances	

The limited-function wholesaler will be engaged in only a few.

Some limited-function wholesalers include brokers, commission merchants, auction companies, manufacturers' agents, truck wholesalers, mail wholesalers, and drop-shipment wholesalers.

Brokers

Not every marketing expert would classify the broker as a wholesaler. For our purposes let's consider him as a wholesaler that performs only a few of the marketing functions.

The broker in simplest terms is a man who gets the buyers and sellers together and assists them in

arranging a sale. A broker may represent either the buyer or the seller. The broker makes his money by charging a fee or a percentage of the price agreed upon by the buyer and seller. He gets no remuneration unless the deal is closed. Because of this arrangement the broker will often act as a go-between, attempting to induce both parties to come to terms on the trade. Usually the broker does not take possession of the goods involved in the trade; he may not even see the goods.

Brokers are especially active in the marketing of agricultural commodities: fruits, vegetables, cotton, grain, and livestock.

Commission Merchant

The commission merchant is like a broker in many respects. Unlike the broker, however, he will actually take responsibility for the products for which he is seeking buyers; that is, the products will come into his own facility for display and storage. He must care for them just as though they were his own property. The manufacturer or producer will consign his products to the commission man. The commission man will display, promote, and care for the products while they are in his control.

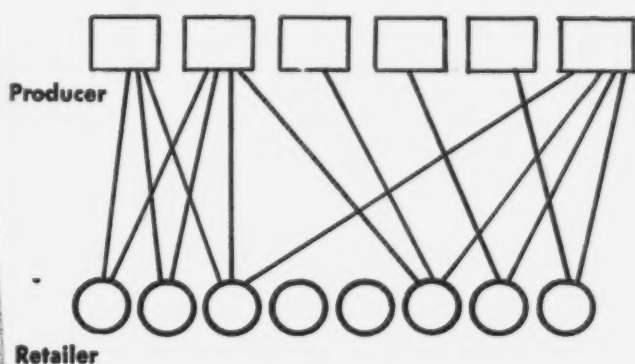
Commission men as a rule will represent producers more distantly located from the market place. The commission man is supposed to represent the interest of the producer in the conduct of his sale, but he usually is given considerable discretion in pricing because he is presumed to have a better feel of the market than the producer who is far removed from the marketing scene.

The commission man, as the name implies, receives a percentage of each sale price as a remuneration for the marketing services he performs.

Because the commission merchant is entrusted with the handling of goods that he does not actually own, considerable suspicion sometimes has been directed toward his operation. Indeed, there have been instances of malpractices; these are relatively insignificant, considering the volume of business done through commission merchants.

Today producers are protected by federal and state laws which impose certain requirements upon brokers and their business operations. The Perishable Agricultural Commodities Act is one of the laws regulating commission merchants. This law requires that the commission merchant be licensed. The law also makes subject to punishment by fines those operators who violate provisions of the act concerning fraud, misleading statements, and destroying or mishandling consignments.

DIRECT DISTRIBUTION



The manufacturer or producer is often far removed from the local market. This means that direct distribution might not service some retail outlets. There are some products, however, in which direct distribution is the most practical means of selling.

The Auction Company

One could never consider the marketing of agricultural commodities without giving attention to the important role of auction companies. They are of major importance in wholesaling of livestock, tobacco, fruits, and vegetables.

The auction company provides the facilities—warehouse, cattle pens or yards—according to the commodity being handled. It will also provide facilities for buyers. The auctioneer is hired by the auction company to incite bids from potential buyers. He, of course, is a master at this type of salesmanship.

Some auction companies in the fruit and vegetable business extend short-term credit to their regular buyers.

Auction companies make their income for performing these services by getting the buyer and seller together in a market transaction. For compensation they usually deduct a commission from the selling price.

The Manufacturer's Agent

Among those who facilitate the wholesale trade are agents or agent middlemen. The manufacturer's agent is a good example of this type who make a living through a limited sort of wholesaling.

To best illustrate the way a manufacturer's agent operates, let's consider the way a typical manufacturer's agent goes about his job.

Charlie Riesh is a relatively young man, but his income as a manufacturer's agent is considerably above average. Charlie's office is a desk in his home, where his wife acts as secretary in addition to pursuing her usual household duties.

Charlie is on the road most of the week calling on dairy firms engaged in the manufacture of ice cream. He represents for selling purposes several manufacturers who produce items needed to make ice cream. Among his lines are chocolate and other flavoring, gelatin, special sugars, a line of special packages for ice cream novelties. He is considering taking on a new

line for a manufacturer of detergents and special cleaning materials for ice cream machinery.

On all of these lines, Charlie has exclusive sales rights within his territory which covers the western half of his state. Several different companies produce the lines he handles, but none of them competes. The manufacturer specifies the price and terms of sale, and Charlie does the selling for which he receives a commission. The manufacturer ships directly to the buyer.

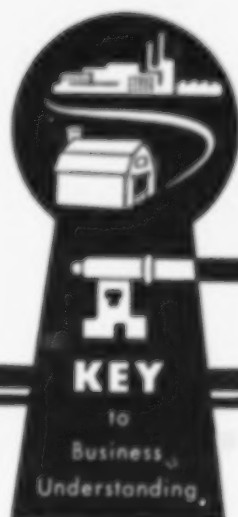
The manufacturer's agent is important in the distribution of machinery, equipment and supplies, clothing, metals, and dry goods.

Manufacturers often choose this means of sales because they feel it lowers costs. They do not have to operate with a full sales force, yet the manufacturer's representative provides an individualized selling service.

Drop-Shipment Wholesaler

In the lumber, building, and coal industries you will find the drop-shipment wholesaler. He is a salesman who takes orders and then sends them to manufacturers. The manufacturer sends directly to the buyer. The drop-order shipper is paid for his selling performance but does not maintain supplies of the product. You can see that this method may be applied effectively to bulk items that are purchased in large quantities of carlots or more, such as coal and lumber. Because of the nature of this business, the facilities required by the drop-shipment wholesaler are very simple. Therefore, the men in this business are sometimes called "desk jobbers" or "hat jobbers."

Wholesaling is an important and necessary part of the marketing system. The wholesaler is sometimes criticized as being unnecessary and a needless cost of marketing. It should be recognized that his existence depends upon performance of services to those with whom he deals. The fact that he has been a part of the marketing system for years indicates acceptance of his role by the people he serves.



Town and Country BUSINESS PROGRAM

SALES AND SERVICE

PURPOSE: To examine sales and services as the end process in production and marketing activities.

"NOTHING HAPPENS until something is sold," was the comment made by a nationally known sales manager to the participants in a Town and Country Business Program.

In the discussion the sales manager demonstrated that on the contrary the sale is the culmination of a long series of events, the goal being an exchange of goods or services for money.

Selling is accomplished through (1) personal salesmanship, (2) advertising, and (3) sales promotion. All three of these techniques are aimed at finding the customer then creating the desire for goods or services.

In this Key Point we will consider the personal salesmanship phase of marketing. The non-personal forms of salesmanship — advertising and sales promotion — are covered in a separate Key Point.

Goods are the tangible things which people buy — items like agricultural and manufactured products. No less important are the sales of banking, legal, medical, garage, and hair styling services.

The sales manager will tell you that services should be a part of every sale. Services that go with the sale of every product vary with the nature of the item that is sold. Some of the sale services precede the sales, while others follow the exchange. These services might be advice on the proper use of the product, repair, special delivery schedules, or credit.

Selling is involved at nearly every step of the way from the producer to the consumer. The farmer sells to the first handler or the consumer. The various middlemen in the marketing system engage in buying and selling. The public warehouseman must sell his storage space; the trucker sells his transportation; the processor, his product; and, of course, the retailer depends entirely on sales to maintain his business.

Framework for Selling

The act of selling can be divided into four parts for purposes of study. Some salesmen refer to this four-part framework as the A-I-D-A formula. Let's look at A-I-D-A and see how it fits into every exchange and how the salesman uses it in his day-to-day selling practices.

- A — Attention:** the salesman first must get the attention of the prospect. This step already has been at least partially accomplished when the product has been advertised.
- I — Interest:** the next task of the salesman is to build interest in his product or service. This step, too, can be eased by good advertising. The attention phase of selling must be amplified to the point of getting the customer to examine the product and weigh its merits as a useful item to him.
- D — Desire:** interest must be stimulated to a degree of conviction to buy. Here's where the salesman must skillfully sell the particular merits of his product. He must do a convincing job to create the desire for ownership.
- A — Action:** in this step the salesman "closes" the sale and gives the customer title to the product. This phase is the final one between the salesman and the customer. The purchase is made, the exchange completed, and ownership transferred.



AN OLDER YOUTH PROGRAM OF THE COOPERATIVE EXTENSION SERVICE
THE NEW MEXICO STATE UNIVERSITY • COLLEGE OF AGRICULTURE
EXTENSION SERVICE • UNIVERSITY PARK, NEW MEXICO



Three Techniques of Selling

The A-I-D-A formula is the procedure which a successful salesman uses to motivate a prospect and build a sale. In striving for his goal of a satisfied customer, the salesman uses every possible sense to put his product in the proper light. The senses of sight, taste, smell, feel, and hearing are utilized in selling. Thus, taste and smell are sales motivators in many food products, feel is used to sell textiles and leather; the manner in which a salesman uses his voice is a factor in his ability to sell.

There are three main types of salesmen, many of whom you will meet during your participation in the Town and Country Business Program. They may be classified in this way:

Manufacturers' Salesmen — these men and women work for the manufacturer and sell the product to the ultimate consumer or to wholesalers, retailers, and other types of middlemen.

Wholesalers' Salesmen — this group sells to various kinds of wholesalers. Many of these firms have specialized salesmen to handle this selling. They, of course, spend a large part of their time calling on retailers.

Retail Salesmen — as consumers, we are more familiar with this type of salesman than any other. This person sells the suit or dress, toothpaste, diamond ring, or other products to you.

Tools of Selling

Personal selling involves three major tools. They are (1) self, (2) product, and (3) customer. Let's analyze very briefly how the salesman uses these tools in successful selling.

Personal selling is individualistic; if the salesman has the natural ability to impart a favorable reaction on the part of buyers from his first meeting with the customer, he has a good start at selling. It is often called "selling personality" by some salesmen. "Sell-

ing personality" is a combination of personal appearance, thinking ability, speech, and other individual qualities. Other personal attributes that are important in successful salesmanship are education, initiative, and determination to get ahead. Self is then the first important tool which the salesman must use.

Discussion of the individual's role in selling will usually bring up the question "Are salesmen made or born?" Usually, the successful salesman does have a typical pattern of abilities and personal characteristics. Psychologists are able to measure these qualities. On the other hand, certain skills are essential for handling sales situations; these skills can be taught and learned. Often, through development of these skills, the salesman can overcome a certain amount of ineptness. A well-trained salesman often can outdistance the natural salesman who does not reinforce himself with training in sales technique.

The second tool which the salesman uses is his product. But, in addition to having a product which can be the basis for enthusiasm, the good salesman must have an intimate knowledge of his product. The product must be explained clearly and convincingly to prospects. Knowing all there is to know about the product helps the salesman to sell convincingly and with confidence. Of equal importance are knowledge of the use of the product, its performance record, and the reputation of his company.

Beyond knowing his own product, the salesman who has detailed knowledge of his competition has a real advantage. Records show that the best salesmen know their product and the competitive product as well.

Since it is the buyer who, in the final analysis, closes the sale, ability to take the *customer's point of view* is the third tool of salesmanship. Indeed, it is as important to know human characteristics and emotions as it is to know the product being sold. Successful salesmanship means knowing people: how they feel and respond to your line of goods. Customers

have many beliefs that appear odd, even irrational, but the salesman must accept people as they are. Most salesmen pride themselves on their ability to perceive human nature and to use it to the advantage of both the buyer and seller; put himself in the customer's shoes, so to speak.

Thus far we have viewed the salesman with his salesmanship as an individual performing an independent, personal task in marketing. This approach is proper, because there are few careers in which success is so dependent upon the ability of the individual to plan and do things on his own. Resourcefulness and ambition are qualities exhibited by most top salesmen. These qualities are important, because the work of the salesman is seldom performed under the close scrutiny of the "boss." Some types of salesmen have little direction from management. This arrangement is in contrast to the jobs of factory and office workers.

Sales Management and the Sales Manager

Despite the independent nature of personal salesmanship, larger companies have sizable sales forces, and these activities must be coordinated to achieve the greatest possible efficiency in the marketing program. The responsibility for seeing that a satisfactory sales volume is maintained and selling costs kept in

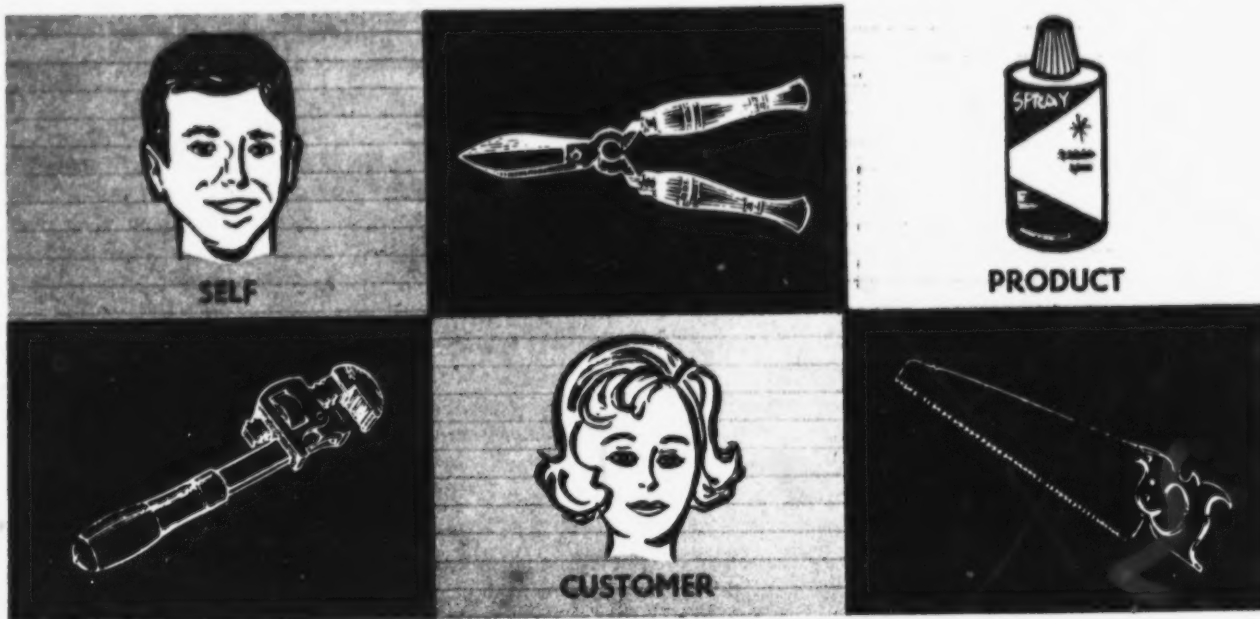
line comes under the general heading of sales management. The sales manager keeps the sales force working as a team to do the most effective job of moving the firm's products.

The sales manager's job varies with the company. In the larger companies the job involves selecting and training new salesmen, sales planning, merchandising, research activities, and the advertising programs of the company. In the smaller company the sales manager may be the senior salesman and will spend a large part of his time in the field doing contact work.

To help in organizing a group of salesmen into an effective sales team, the sales manager often will provide sales quotas which the company expects the salesman to reach within a period of time. The salesman will try to exceed his quota, and often there are bonuses and other incentives for accomplishing this goal.

Many sales managers spend a portion of their time in training salesmen. Keeping the salesmen informed on the products and marketing policies of the company are the objectives of sales meetings and conferences. In addition to acquiring knowledge of the products being sold, the salesman must consider continuously his own sales techniques and improve his personal sales methods. To see that such training is available is one of the assignments of the sales manager. Closely related to personal sales is sales promotion — activities that supplement personal selling

Three Tools of Selling



and advertising to help make the whole process more effective. Often, it is difficult to distinguish where advertising stops and sales promotion begins. For our purposes we will consider sales promotion as selling efforts that are not routine with the company. For example, contests which are conducted by manufacturers are usually adopted to expand sales; sampling, premiums, demonstrations, and shows are sales promotion devices available to the sales manager of a company.

Market Research

Market research is related to all types of selling effort, both personal and non-personal like advertising and promotion. The sales manager must develop more efficient means to increase his sales volume or lower selling costs. The individual salesman uses the results of market research to make his daily work more effective. To achieve more efficient distribution, market research aims to gather, record, and analyze facts relating to the transfer and sale of goods and services from producer to the consumer.

In agriculture much of the research related to marketing of farm commodities is done by the United States Department of Agriculture and agricultural colleges. This market research has been able to hold down market costs through finding more efficient transportation, storage, handling, processing and distribution of food and fiber products. Too, this market research has found new uses for farm products and has vastly improved the quality of many food items.

The market research department of a firm constantly seeks new ideas for products and evaluates their profit potential. It checks on the sales performance of its brands as compared with sales of competing items. There are large market research organi-

zations that make a business of doing market research on a contract basis for marketing firms.

In addition to finding out what customers will buy, a specific kind of market research called motivational research seeks to learn why the customer makes the choice he does. This type of research is done under the guidance of trained psychologists and sociologists. Indeed, the trend in market research today is to use people with a wide variety of training — mathematics, statistics and many social sciences — to learn more about customers. It is through such market research that companies are able to keep abreast of the way in which they can better serve people.

Selling as a Career

Selling is a good career for those with some aptitude for the job. Remember that there are several different types of selling which have a wide range of requirements. Retail selling is quite different from industrial selling, which often requires a technically trained sales engineer. Incomes also vary widely, but most firms work on a salary plus commission basis. The commission may run from 1½ per cent to as much as 20 per cent of the selling price.

Demand for salesmen has been strong during the past few years. With the increasing population and expanding production of the nation, the trend is likely to continue.

Agricultural selling seems to be evolving into a specialized field. Agricultural salesmen represent the agricultural industries in distribution of items needed for production on the farm or related activities: feed, seed, fertilizer, machinery, and equipment. This type of selling requires a multitude of services, and it keeps one in close contact with the farm and agriculture.



Agricultural and Home Economics Extension Service of The New Mexico State University, the United States Department of Agriculture cooperating. P. J. Leyendecker, Director. Distributed in furtherance of Acts of Congress May 8 and June 30, 1914.



Town and Country

BUSINESS PROGRAM

STANDARDS AND GRADES

To Make Marketing Easier

PURPOSE: To increase an awareness of grading, standards, and inspection as they relate to the marketing of agricultural products.

"As much alike as peas in a pod" is an old adage, but farmers know that even five peas in a pod are not always uniform. In nature, things do not grow exactly alike. Potatoes may be big, little, round, long, perfect, or defective.

And, customers differ in desires and wants almost as do potatoes in a hill. Some customers want only the best and are willing to pay the price; others are willing to sacrifice quality in order to save a penny.

This Key Point is about things produced for sale and ways in which marketing is made easier through the use of grades and standards.

A standard or grade is really a special kind of measurement. Since measurements are extremely important in marketing, let's consider the kinds of measurement that make buying and selling possible.

If you are buying a bushel of corn or a peck of apples, you have some assurance of the quantity of the product you will receive. The bushel or the peck are known measurements which are the same anywhere.

There are also standards or measurements of quality which are referred to as "grades." Grade standards of quality are of more recent origin than standards of weights and measures, but they are now considered especially important in marketing. In agricultural products these are known as "grade standards."

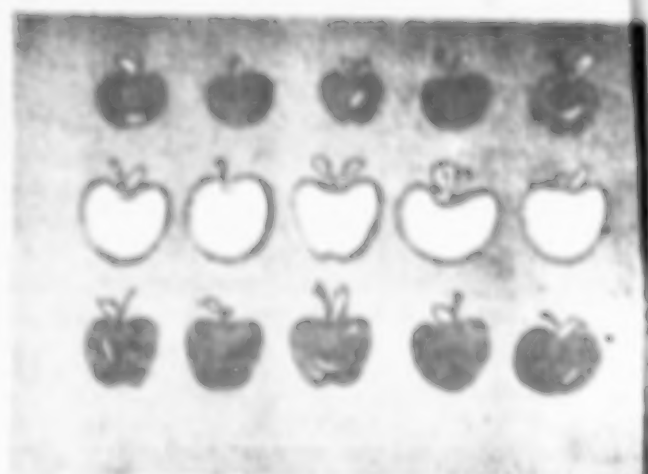
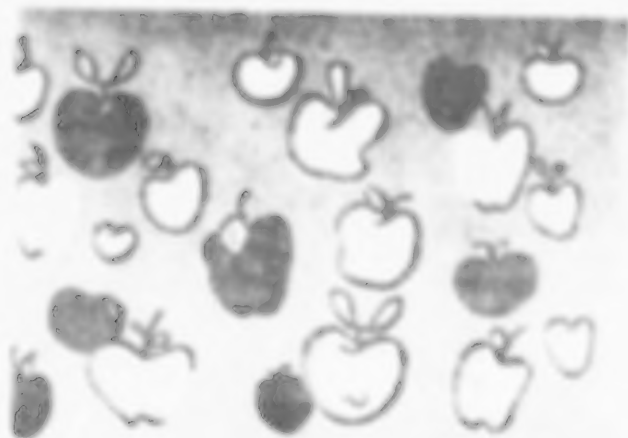
Standards of Amount

Let's first consider standards of amount. The bushel, the pound, and the gallon are among the standard measures of volume, size, and weight. In fact,

without measurements such as these, there could not be an orderly marketing system. Measurements of amount must be understood and adhered to by both buyers and sellers. The accurate and scientific measurements used in marketing today represent a slow development from the crude measurements known in the days of Columbus. In those days the hand, the foot, or grains of wheat actually were used as standards of measurement. Of course, the hand and the foot can vary considerably from man to man, and so could many other early measures. Through nearly 500 years of development, governments have played an important role in establishing the measurements authorized for marketing purposes. Only 50 years ago in the United States a buyer could not trust the unknown seller. Even those who wanted to carry on honest, straightforward business were impeded by the reputation for sharp dealings of others in the same markets.



A YOUTH PROGRAM OF THE COOPERATIVE EXTENSION SERVICE
NEW MEXICO STATE UNIVERSITY • COLLEGE OF AGRICULTURE & HOME ECONOMICS
EXTENSION SERVICE • UNIVERSITY PARK, NEW MEXICO



Grading involves the sorting of products into groups of similar colors, sizes, shapes and condition.

This was largely because we had not advanced to the point of giving recognition to the need for reliable measurements in marketing.

Today our government has a National Bureau of Standards which is engaged in the task of helping many groups develop dependable standards of measurement for use throughout the country. These measurements apply to many products of industry and business.

To make marketing easier, the government through its various regulatory agencies has established a system of standard weights and measures. Congress has the authority to fix the standards of weights and measures. All of the states have similar and complementing laws. The various governments have laws to provide a legal basis for confidence in measures used in the market.

For example: the cubic contents of a barrel in the U. S. is 7,056 cubic inches. Hampers and baskets used in marketing must conform to dimensions fixed by federal and state government. Cans used for packing grocery items, such as fruits and vegetables, have specific designation as to volume or contents for 32 different sizes.

Through the close cooperative action of state, federal, and local authorities we have a large degree of uniformity in the standards of weights and measures. The development of nationwide distribution has encouraged uniform weights and measures, and they in turn have encouraged nationwide distribution.

Standards of Quality

But you still have another unknown factor in your purchase — quality. When you specify only in terms of a bushel or a peck, you might receive yellow corn or white corn and it may be top-quality, mediocre, or poor. The apples may be a wide range of sizes and tastes. In quality the apples may be on the verge of spoiling or they could be the crispest, juiciest apples you ever tasted.

In today's markets many apples, most grain, and many other products are bought and sold without the buyer ever seeing the commodity until it is delivered to his place of business. The produce handler in Boston can buy cabbage, cauliflower, onions, and tomatoes from Crystal City, Texas, by relying on quality standards to designate the kind of product he wants.

Federal grade standards have been developed as nationally uniform measures of quality for more than 100 foods, including meat, dairy and poultry products, fruits and vegetables, grain and grain products. The use of official standards for quality, with a few exceptions, is not compulsory.

Grading is done so that a common language can be used to describe the quality of a product. This makes marketing at a distance possible. Grading has become essential in our complex marketing systems. Just as pounds, dozens, and quarts are accepted as measurements of quantity, the terms U. S. Grade A, U. S. Fancy, U. S. Choice, and U. S. Inspected for wholesomeness are accepted as official measurements of quality.

What Is Grading?

We might say simply that grading is "sorting things that grow." In nature and in agriculture things do not all grow exactly alike. Mother Nature seems to like variety. Man is more set in his ways. He seems to like things uniform, so it is customary to do sorting or grading.

When sorting, it is necessary to have some standard for sorting. This standard is really a measurement. A producer must determine the kind of sorting to be done: size, color, both size and color, and shape.

It isn't hard to see that there must be some basis for sorting. Without a standard of some kind, our products would end up almost as mixed as they are before sorting. Grades are standards. Grades tell what kind of thing to put in one group and what to put into another.

To be of value, grades must not change. At least they must not change too often. Uniform classes of a product cannot be made if the grader changes his mind or acts according to any passing whim. Grades must be described in writing. They describe what may or may not be in the one grade or class.

Grades are a measure of quality. Because of this, U. S. Grades for most farm products have been established. They are the same for all parts of the country and for both buyer and seller.

Sometimes there are different uses for a product. One size, shape, or texture is good for one purpose. A different size, shape, or texture is useful for another purpose. In these cases it is desirable to sort the product into classes most suitable for the purpose for which they are to be used.

Mixed grades seldom suit anyone. Those desiring high quality may not get what they want. Those seeking the lower grades will not pay for a mixture of high-priced and lower-priced goods, unless the good product in the mixture is included at the lower price.



Grades make it possible to do business at a distance. Nobody likes to buy a "pig in a poke." He wants to see what he is getting. When distances are great, it may not be practical to go look at the product before buying. When there are grades or specifications for the product, the buyer is more willing to buy "sight unseen" and may feel fairly sure that he is getting what he wants.

Grades and grading not only reduce risk for the buyer, but also help the seller. Grades tell him what he has to deliver to satisfy the buyer. They help him to check on the price he should get for a certain quality or kind of product.

Grades and grading help to lower the costs of marketing. The seller need not go to the expense and trouble of shipping a kind or quality that the buyer does not want. The buyer need not spend time and money to hunt what he wants. In this way risk is reduced and costs lowered.

Grades provide the basis for a uniform product. Without uniformity mass distribution would be more costly and perhaps impossible. Grading that is not well done often has to be done over again before the

product is finally sold. Poor grading sometimes is little better than none, and often is wasted effort.

Grades help to settle price differences and promote understanding. They help to smooth out differences of opinion that lead to arguments, misunderstandings, and loss of friendship. In a small way they help to promote peace with among men. Grades and grading can do these things only when they are used honestly.

Types of inspection

Two general types of inspection are in use by the United States Department of Agriculture regarding standards for farm products. One has to do with health and sanitary requirements and the other with standardization of quality.

Every consumer has observed the small round purple stamp on large cuts of meat. This small circle has great significance. It helps to assure you of clean and wholesome meat.

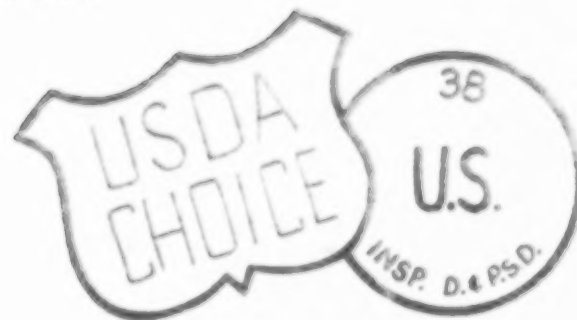
The purple circle appears on all large cuts of meat, including hams, roasts, quarters, or other large cuts the retailer receives from his wholesaler supplier. It may not, of course, appear on each portion when these larger cuts are divided into steaks, chops, or other retail items. The stamp reads, "U. S. Ins'd & P'd" and means "Inspected and Passed by the U. S. Government."

All meats moving in interstate commerce are inspected by the U. S. Department of Agriculture for cleanliness and wholesomeness at the packing plant. If approved, the carcass and large cuts are stamped.

A similar type of inspection for sanitation and wholesomeness of produce exists in the case of dressed poultry products.

In the case of meat the homemaker is likely to find another USDA purple stamp, indicating the grade or quality of the meat — "U. S. Prime," "U. S. Choice," "U. S. Good" — on most retail cuts of meat. All such graded meat has been inspected, but not all inspected meat is graded.

The purple stamping fluid is as harmless as fruit juice and the homemaker need not remove it from the meat she cooks.



Federal meat inspection began in the days of President Theodore Roosevelt, and has been going on ever since. Today, 90 per cent of the nation's commercial meat supply is federally inspected; this includes all meat that moves across state lines. The remaining 10 per cent is subjected to state or local regulations, many of which are patterned after the USDA requirements.

Graduate veterinarians are in charge of inspection in plants where slaughtering is done. In addition to six or more years of study in an accredited veterinary college, these veterinarians must pass a civil service examination. They must demonstrate a keen sense of smell and sight, which are important faculties in this work. After passing the tests, an applicant has to work as an assistant for some time under an experienced man before qualifying to judge the condition of dressed carcasses. Final examination of every carcass is made by a veterinary inspector.

Meat inspectors assist the veterinary inspector in all examinations, and are specially trained for this work.

Meat inspectors have the health of the people in their hands. Their thorough, conscientious work is responsible for the high degree of public confidence in the meat-inspection program.

For fruits and vegetables, the Federal-State Inspection Service maintains inspectors in most states. It is their duty to certify as to the grade (quality) packed. These men, in many cases, assist with the actual grading procedures. Inspectors, both state and federal, now operate in one way or another with most products graded for shipment to markets. This procedure applies to frozen and canned goods as well as to fresh products. The inspection service guarantees or

certifies as to the quality and condition of the grade packed.

This type of inspection is a marketing aid to producers, dealers, wholesale commission merchants, and retailers. It provides a common language among producers and dealers for trading purposes for a commodity.

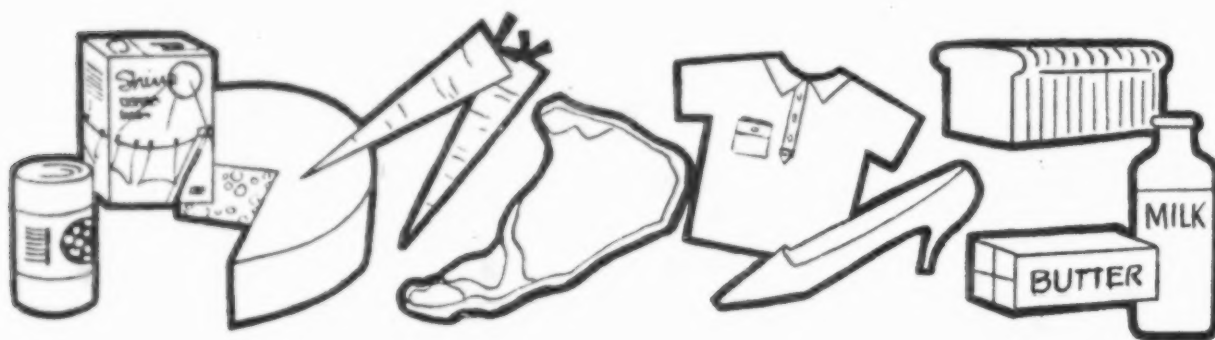
Grading Inspection Services

Government grading inspection services, closely associated with the grading of farm products, protects the producer as well as other segments of the marketing system.

As grades for farm products developed during the World War I period, so did the need for some type of inspection to certify the grade.

Trademarks and Brands

As a forerunner to official standards and grades for farm products, trademarks and brands were used, and are still used by many large shipping organizations. These devices were sometimes originated for advertising purposes rather than a sincere effort to establish measures of market value. As the use of these brands became established, their use in most cases had considerable significance in conducting sales. The brand name carries with it the reputation of its owner. Brands are private property. They are devised to serve their owners and identify their products to customers. Some firms have several brands, each representing a degree of quality. Many trademarks and brands are reliable evidence of quality, although in themselves they have no official grade classification.



Published and distributed in furtherance of the Acts of Congress of May 8 and June 30, 1914, by the Agricultural Extension Service of New Mexico State University, Philip J. Leyendecker, director, and the United States Department of Agriculture cooperating.



Town and Country

BUSINESS PROGRAM

ASSEMBLY AND STORAGE

PURPOSE: To recognize the need for gathering a large volume of products in one location for efficient marketing and to study the importance of storage as a vital part of our distribution system.

ASSSEMBLY AND STORAGE are two functions which play a major role in the marketing story.

One of the first functions performed in the marketing of food and fiber products is assembly: the concentration of goods into larger volumes for more efficient marketing.

To serve the wants and needs of all types of consumers most goods must be assembled into volume lots. This concentration of items into large volumes tends to reduce handling costs and further marketing efficiency. You can visualize the struggle that would be involved if each consumer had to go directly to different farms for his eggs, meats, fruits, and vegetables. Under such circumstances, the entire time of one person could be spent simply in assembling the needs for a single household. The marketing system has eliminated confusion of this nature because it assumes the assembly role.

The concentration may involve assembly of items which are alike. This is the kind of assembly done at a grain elevator, where wheat is assembled from many farms into a single location. Likewise a milk plant picks up milk from many farms as its contribution to product assembly.

In contrast to these examples are the retailers who assemble adequate volume of a variety of goods, often more than 7000 items in a single location, for customer convenience.

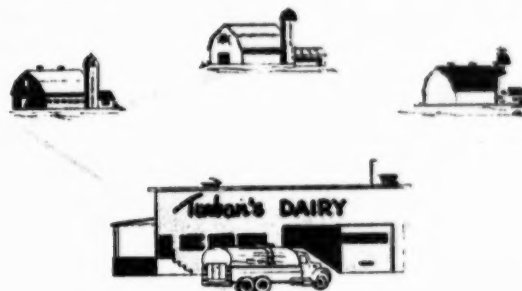
The assembly of agricultural products is usually an expensive operation, since it involves the handling and transportation from scattered farms to central concentration points. The farmer usually bears the cost of trucking to the first receiver. Most of the hauling at this stage is done by the producer in his own

trucks. It is easy to see that transportation is closely associated with the assembly of products.

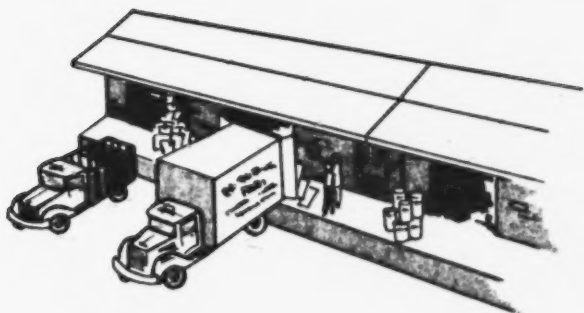
In agricultural markets the assembly function is most easily seen in the central or terminal markets, the two terms being used interchangeably. These markets are the major centers, exercising a dominant role in the marketing of various products. Terminal markets had their start at the time when railroads were the major factor in marketing livestock and other farm products. Large packing centers grew up at the "terminal" points on the railroads: places such as Chicago, Kansas City, Omaha, and St. Louis. Memphis, Atlanta, and New Orleans are central markets for the cotton trade.

In most commodities the marketing significance of the terminal market has declined. This is especially true when measured by the proportion of the total supply moving through these markets. Major reason for this decline is that more products move directly to the packers, processors, and distributors. This trend has been encouraged by modern developments in communications and transportation.

Terminal markets for fruits and vegetables are still important. Many of the larger cities have constructed



A YOUTH PROGRAM OF THE COOPERATIVE EXTENSION SERVICE
 NEW MEXICO STATE UNIVERSITY • COLLEGE OF AGRICULTURE & HOME ECONOMICS
 EXTENSION SERVICE • UNIVERSITY PARK, NEW MEXICO



new and efficient facilities to accommodate the fruit and vegetable trade.

Chicago, Kansas City, and Minneapolis are central markets of the grain trade. These markets are used more by dealers than by farmers because the standard unit of shipment is the freight car. The country elevators are the first receivers in the grain trade; these first receivers then ship large amounts of the product into the central markets.

Central markets for eggs and poultry products, like those for grain, are not widely used by producers. The first receivers of eggs at country points supply central market requirements. The markets exist in the major cities mainly to procure supplies for the consuming areas. For some commodities there are no central or terminal markets: milk, seeds, rice, tobacco, fruits, and vegetables for processing.

The concentration (or assembly) of goods into sizable volume for marketing has several advantages. First, it makes possible the specialization of handling and storage facilities. For example, with the assurance of large volumes the grain firm can build efficient elevators with conveyors, storage bins, loading and unloading facilities.

Another important advantage of assembly is that the larger volumes draw additional buyers. The combination of large supplies and numbers of competing buyers helps in formulating prices.

Large volumes also facilitate grading procedures and utilization of off-grades. Off-grades are those which are defective in size, shape, or color. In this manner these grades, which are a small part of the total supply, can be profitably handled.

In spite of trends away from central markets in some agricultural products, the need for assembly has not declined. The significant change in the function is that the assembly points are dispersed and the concentration is in somewhat smaller volume.

STORAGE

Storage involves the holding of goods between the time of production and their final sale. There are two types of storage: One is specialized storage to hold

goods for later use. This is the type of storage performed by grain elevators, refrigerated storage, and public warehouses of various kinds. The other type storage is that involving the day-to-day operating supplies, or inventories, of marketing firms. An example of this type storage are the items on the shelves and in the stockrooms of a retail grocer. During storage the goods may be moved from one place to another and may be processed, graded, and packed.

Farm products are stored to make them available the year 'round. Many are processed (canned, pickled, frozen, and dried) so that they can be available during periods of scarcity. Every farm product has to be stored in its own way to prevent loss of quality.

To store some commodities is relatively simple, as in the case of storing hay in stacks in the field or storing coal in an open coal yard. The characteristics of some commodities are highly complex, requiring elaborate and specialized care. Cottons can be stored almost any place; grains are more exacting because of moisture sensitivity, fruits and vegetables require cold storage; dairy products, meats, and eggs require highly specialized care in storage.

Most production, especially in agriculture, takes place in spurts. Products are available in much greater volume during certain months of the year. Consumption seldom occurs in exact accord with the patterns of production.

Crops are produced and must be harvested within a period of a few weeks, but consumers want a steady supply from month to month. Apple growers store their products to meet the consumer's desire for apples nearly every month of the year.

Wheat flour is needed for bread every day of the year. Wheat is harvested only during certain months. Storage makes wheat and flour available when it is needed by millers and bakers.

In marketing, management is confronted with important decisions regarding storage. On the farm the storage problem is focused on whether to store the product or sell it immediately. If the storage decision is made, then it becomes a problem of where to store and how long to store.

Some storage is done for speculative purposes. This occurs when producers store goods solely in anticipation of an improvement in price. Potatoes are often stored in anticipation of improved prices later in the market season. The price improvement must more than offset the cost of storage to make the venture profitable. Potatoes are stored for other purposes, too, such as extending the marketing season. Some manufacturers, in taking advantage of buying in large quantities, must store items for later use. The milk dealer will buy a large amount of paper cartons to take advantage of discounts. These are stored in his warehouse.

Storage is such an important aspect of our marketing system that there are specialized agencies organized to perform this marketing function in various products and commodities.

When the storage function is performed by a firm for the purpose of commercial gain for the person owning the storage facilities it is referred to as "warehousing." In this sense, commercial grain elevators, tobacco and cotton warehouses are considered as a special type of warehousing.

Both private and public facilities are used for storage. A private warehouse is one operated by a business to store its own commodities or goods. The public warehouse offers storage and related services to the public.

There are many types of public warehouses to serve the requirements of all classes of goods. The general merchandise warehouses are those which provide storage for general commodities which do not require special servicing such as heat or refrigeration. Most general merchandise warehouses are used for storage of a variety of raw products, semi-finished, or finished goods. There are both public and private elevators operating in the grain storage business.

In addition to storage the public warehouses offer many other services. One of the most important is delivery service. Indeed, many public warehouses are

operated in conjunction with a trucking or transportation firm. The national distributor will often engage such a warehousing firm to make local deliveries of his products. This assures prompt and direct delivery to customers.



Warehouses frequently provide clerical and accounting services to their clients, keeping track of inventory, supplies on hand, and some warehouses offer repacking, labeling, and packaging services.

Special commodity warehouses, including grain elevators, are equipped to handle but one type of commodity. They will often perform both the assembly and storage function. Thus county grain elevators assemble products from many scattered points for further shipment to central markets.

In some special commodity storages, especially grains, the storer has a right to the same amount of product of equal grade but it might not be the same units he stored originally. The same principle is applied to public storage of petroleum products, liquid chemicals, and other bulk storage goods.

Marketing involves movement of materials many times. It includes unloading, loading and storage at various places from the point of origin to the place of final use. You can visualize this flow of materials as a series of moves and waits, until the product reaches the final consumer.

Each package or piece of goods is "material," and every time it is moved, it must be "handled." A whole new field of knowledge — known as materials handling — has developed around achieving this movement with the least possible time, labor and waste. Materials handling is involved whenever there is lifting, lowering or moving. Materials handling might be appropriately discussed in almost any Key Point on marketing, but it seems to be especially well demonstrated in visits to warehouses, produce packing houses, and similar storage facilities.

Materials handling can affect sales of a product. An increasing number of companies is requesting that products be shipped on pallets (portable platforms) — ready for mechanized unloading and storage. Materials handling, use of fork lifts, hand trucks, conveyors, and the like, facilitates loading and unloading.



reducing labor and demurrage costs. Demurrage is the charge made by railroads for keeping freight cars too long during unloading.

There are hundreds of devices and types of materials handling equipment. Indeed, there are almost as many kinds of equipment as there are materials to be handled. Among the most commonly seen are conveyors: moving belts, roller conveyors, screw conveyors, pipelines and bucket elevators. All aid in efficient materials handling.

For lifting materials you will see cranes and hoists. These are especially important in lifting heavy or bulky materials as lumber or coils of steel.

Almost every warehouse uses industrial vehicles such as fork lifts, pallet jacks, platform trucks. These small tractors and trucks can go almost anywhere and in any direction in a plant or warehouse. They are of many sizes and models, powered by diesel, gasoline or electric engines.

Warehouses and plants must be designed to reduce handling costs. The modern warehouse must make best use of every foot of space. Effort is made to build high stacks so less floor space is used. Materials are scientifically arranged in locations on the warehouse floor to reduce travel time and distance.

All states have enacted the Uniform Warehouse Receipts Act which lists the responsibilities of the warehouseman in the care of the items under storage. The properly executed receipt makes the warehouseman liable for damages or loss incurred during storage.

These receipts are of two types (1) negotiable and (2) non-negotiable. The owner of a *negotiable* receipt may transfer ownership of the stored items by endorsing the receipt and asking the warehouseman to deliver the stored goods to the new owner. With the *non-negotiable* warehouse receipt the warehouseman can release the stored items only to the person or company making the original storage.

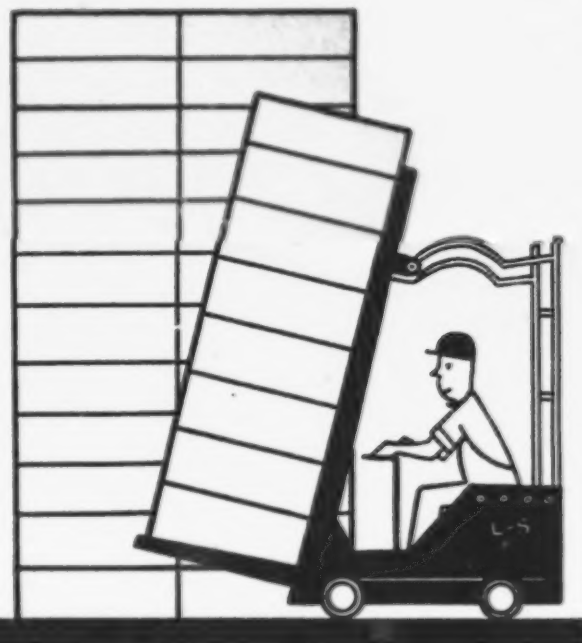
Reference has been made to specialized cold storage warehousing for fruit, vegetables, poultry, dairy and meat products. There are both private and public cold storage warehouses.

A manufacturer or producer who stores goods in a bona fide warehouse is issued a warehouse receipt which describes the property on deposit in the warehouse. Banks will accept these receipts as collateral for loans. In this manner the warehouse receipts play an important role in market finance.

Some public warehouses storing staple and unprocessed agricultural products are licensed by the U. S. Government. This licensing applies particularly to cotton and grain storage and operation.

A licensed warehouse must comply with certain regulations. Inspections are made to assure conformance to the standards of the law. The receipts of the licensed warehouses are widely acceptable as security for loans. Since licensing is voluntary a relatively small percentage of warehousemen are licensed by the Government.

Public warehouses are similar to banks in many ways. In both banks and warehouses the depositor has legal right to get back the kind and value of what has been deposited. Losses can occur by operations of the careless or unscrupulous warehouseman. In warehousing there is far less government supervision than in banks, so the integrity of the warehouseman is extremely important in the selection of storage facilities.



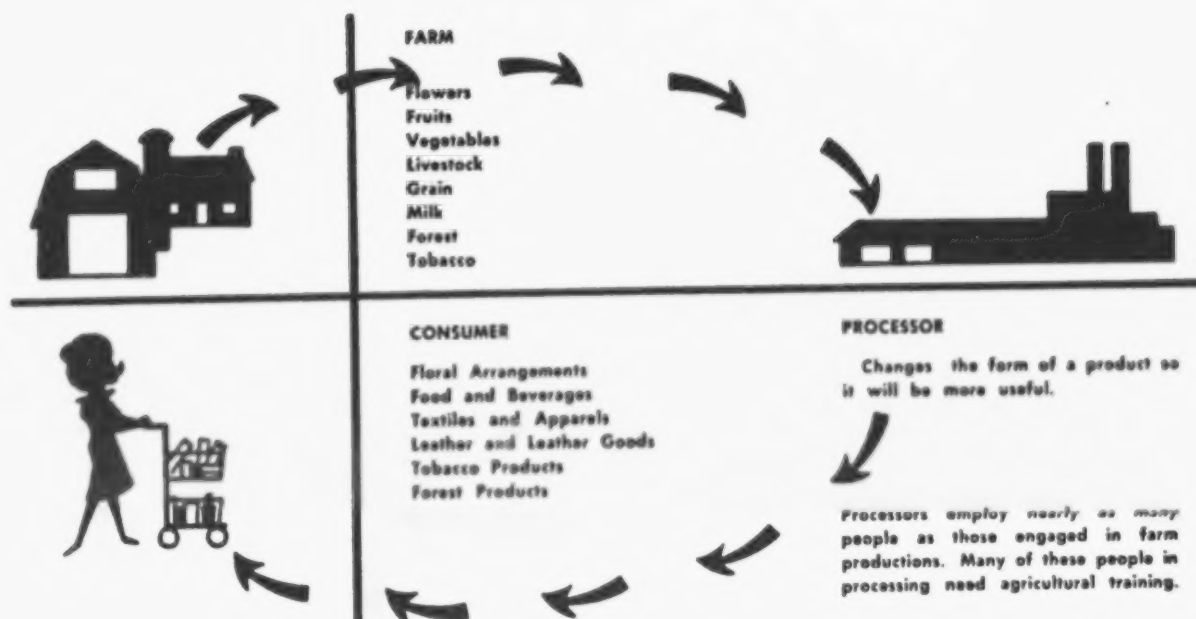


Town and Country

BUSINESS PROGRAM

PROCESSING IMPROVES LIVING

PURPOSE: To learn about processing and its importance to agriculture and the marketing of farm products and to consider the influence of size of business in the processing industry.



YOU live better today, thanks to cooks that you never see. These cooks are among the nearly 5,000,000 men and women who work at processing the food and fiber from American farms. The men and women in processing industries make it possible for you to eat peaches in January or have fried shrimp 1000 miles from the ocean. They help clothe you from the soles of your shoes to your hat. They lend a hand in housing you, providing recreation for you, making transportation possible for you.

While agricultural processing has become in recent times a modern, fast-moving, and indispensable industry, the idea is almost as old as mankind itself. Cave-man paintings show the ancient processors smoking meat. Fruit juices were available the year 'round in Biblical times because someone found that fermentation was a useful process for preservation.

In our own nation's beginning, most of the processing was done at home. Wood was cut; wool was spun; meat was cured; bread was baked. It has been

A YOUTH PROGRAM OF THE COOPERATIVE EXTENSION SERVICE
 NEW MEXICO STATE UNIVERSITY • COLLEGE OF AGRICULTURE & HOME ECONOMICS
 EXTENSION SERVICE • UNIVERSITY PARK, NEW MEXICO

said that bread is the staff of life; we must recognize that processing made it possible.

Reference is often made to the food processing field, but remember that the processing of cotton, wool, leather goods, tobacco, and even forest products is important also in marketing.

Nearly all agricultural processing today is done in plants designed for efficiency, uniformity, quality, cleanliness, convenience, and customer appeal. For this reason, today's processed foods are excellent in taste and nutrition. Cotton and wool textiles today are superior to the hand-woven ones of the past century and much less labor is required to produce them.

Most potatoes come to market after a bath. They are tubbed, rubbed, scrubbed, and some of them are even waxed or dyed. This simple, important process was devised to meet the wants of some consumers. Often, a new process starts as a "want" of the consumer or a result of product development, but it becomes such a part of living that it soon appears to be a "need." Frozen foods and prepared cake mixes are examples of processed foods which only recently have become "needs" for many consumers. Most of us will readily agree that, as consumers, we really need processing to feel better and enjoy life more fully.

Processing Adds to Costs

Like all other marketing functions, processing costs money. It is another expense which occurs between the farmer and consumer, making a wider spread between the retail price and the prices received by farmers. Of course, not all of the added expense for processing represents profits to the firm doing the job. The biggest share of the cost is in wages and salaries. Another part pays the rent, heat, light, supplies, insurance, and other operating expenses. All firms pay local, state, and federal taxes. In addition, most companies make contributions to Social Security payments.

While processing does involve additional expense, some processing actually reduces the retail cost of food. In some cases, reduced waste, spoilage, and shipment of a much less bulky product offsets the extra cost of processing. Shipping topped carrots in cellophane bags from California to New York City is less expensive per carrot than shipping them bunched with the tops on. Here the savings in shipping costs help offset the cost of processing.

Improved processing methods often have increased the demand for agricultural products. Since 1930 the production of citrus fruit has about doubled. However, improved canning and freezing have stimulated the demand for citrus products.

Processing Can Save Time and Money

One of the most obvious results of the trend toward commercial processing is the new leisure provided most of our people. A unit of food can be processed in much less time in a specialized factory than in the home kitchen. Take the cake mix. By the use of machinery and manufacturing skills, a cake can be mixed with fewer manhours of labor in the plant than in the home. The time originally utilized in mixing the cake in the kitchen has been relegated to the factory, and the total time involved has been reduced.

Now the hours once used for mixing a cake, canning, peeling, drying, washing, curing, stirring, and other operations can be devoted to other activities. Because of this saving of time in doing household duties, more women today work away from home to increase family income. Others spend more time in supervising children, and of course, most people today have more leisure for doing just what they please.

Processed foods save storage space, too. Space can be considered an important cost item both in the modern home and in business. In a restaurant, for example, potatoes now are stored conveniently on shelves in the form of dried flakes. Space originally used for potato bins can be used now for table and counter space which helps increase income. In addition, the whole operation is cleaner than before, and labor and equipment costs are reduced.

Storage space in the home can be smaller also because of the compact, convenient nature of processed foods.

The agricultural processing industries are found at nearly every crossroad of the nation. They are the familiar cotton gins and textile plants, milk processing plants, canners, meat packers, freezing plants, saw mills and flour mills, and hundreds of others. They are important to farmers and consumers, since nearly all farm products must be processed before they are sold at retail.



Processing Firms Vary in Size

In the processing industries you will find a hundred thousand enterprises of all sizes. They range from the family-owned business to the giant corporation with thousands of stockholders. Among the biggest firms are those that process many kinds of products and market them through their own vast distribution systems. These firms operate on national and even international markets. They are the well-known "national brand" companies.

In addition to the national brand firms, there are hundreds of other companies processing agricultural commodities. These companies have a smaller "family" of products than the national giants. Their distribution areas usually cover a few states or smaller geographic territories.

Because of the tremendous investment required for the highly mechanized processing of agricultural products, most of the processing firms are either corporations or large producer cooperatives.

While large corporate firms usually dominate the agricultural processing industries, cooperatives have made substantial progress.

About two fifths of the butter, one sixth of the natural cheese, and one half of the nonfat dry milk solids are produced by 1800 dairy cooperatives. Nearly one fifth of the fruit processed in the country is handled by firms organized as farmer cooperatives. Cooperatives are important also in sugar, soybean, cottonseed, and rice milling.

In visiting some agricultural processing firms most people are amazed by the bigness of the enterprise. The growth in many of these firms has occurred within the last 25 years. They grew from small businesses to large ones because a large plant usually can lower cost proportionately more than a small one. Large plants can use expensive, labor-saving equipment which the output of the smaller one cannot support. The large plant can afford to employ such specialized experts as engineers, bacteriologists, and chemists. They can set up laboratories for experimentation and to conduct research in developing new, improved products.

The meat-packing industry is a good example of how and why little firms grow into big ones. At one time all meat was processed in small slaughterhouses which serviced local markets. Under these conditions

much of the animal was wasted. Parts, such as hair, bones, blood, and other inedibles, were destroyed. As the plants increased in size, there was enough volume of hundreds of these animal by-products so they could be converted into glue, fertilizer, animal feeds, vitamins, and scores of other products. The sale of these by-products of the packing houses now represents a sizable portion of the income to the processing business.

Integration

Many of the giants in today's processing industries have become large and powerful through integration or combination. This growth involved the combining of business units under one financial control. Even today mergers and acquisitions occur, so firms can take advantage of being bigger.

Combinations like these occur in two different ways: vertical combination (or integration) and horizontal combination (or integration).

Vertical combination occurs when firms operating various stages of processing combine for manufacturing and selling a commodity. Thus, when a broiler processor combines with a hatchery, you have vertical combination.

On the other hand, when a dairy corporation has grown through the acquisition of a number of smaller, but similar dairy companies, you have an example of horizontal combination.

When a chain store system acquires a bakery, it illustrates vertical combination. When it grows by adding more stores in various places, it is horizontal combination.

Medium-sized and small firms still play an important role in the processing industry. Cheese plants, canneries, poultry dressing plants, and saw mills often are small operations. They can be relatively small, because they require simple machinery and a comparatively small investment.

A corn refinery must be several hundred times larger than a cheese plant, because the equipment needed to process corn into starch, oil, syrup, and feed is both complex and expensive. As a result there are few corn-processing plants in the nation, but they are usually big.

Small processing firms in some industries are able to compete with the giants by taking advantage of



market and business conditions. This fact is especially noticeable among meat packers, bakeries, and feed mills. They provide special services and specialty products not available from the big producer. The smaller size gives the management of the firm ability to shift quickly from one type of operation to another.

Agricultural processing plants have problems peculiar to the nature of the farm products they handle. Some products are bulky and perishable, so location of a plant is extremely important to success. Most raw materials used by agricultural processing firms are subject to drastic changes in supply and quality, because weather often dictates yield and quality of crops and livestock.

Transportation Influences Location

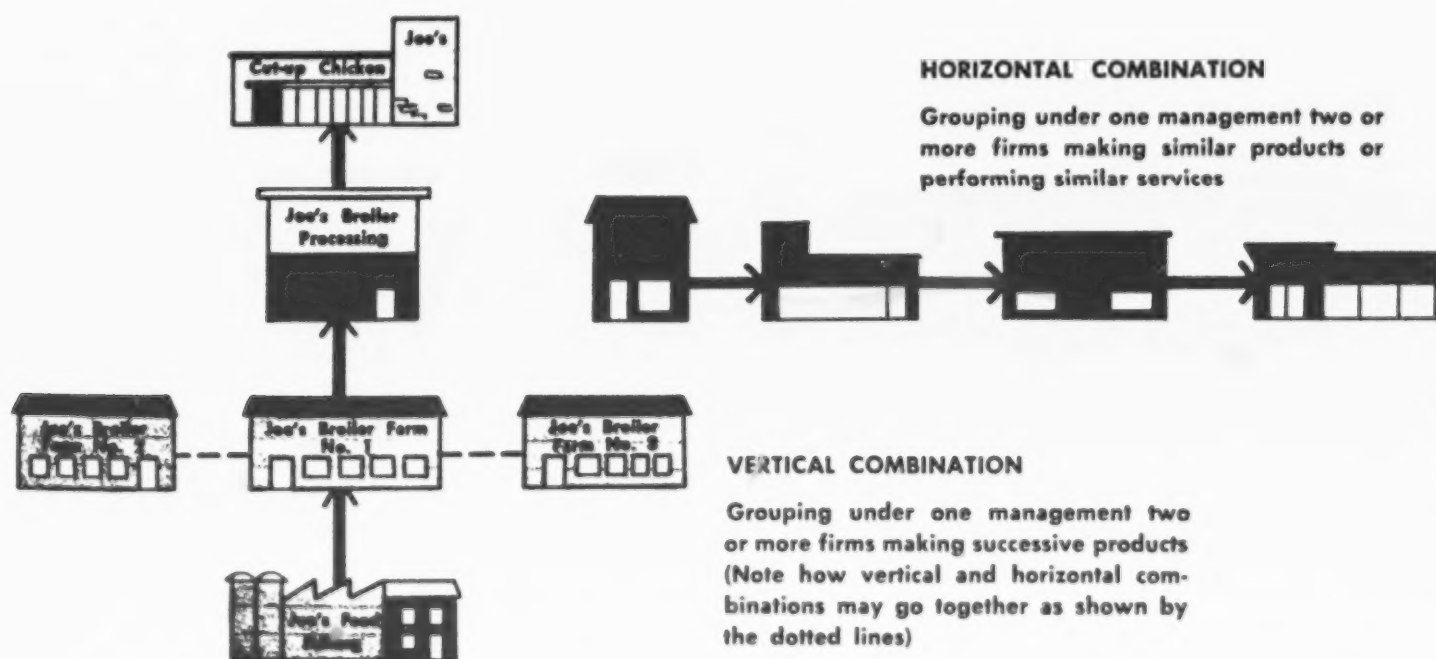
Transportation makes up a sizable part of the cost of marketing many farm products. In the processing industry a change in freight rates can upset what was originally an economical plant location. Take hog slaughter: most hogs are butchered in or near the Corn Belt, the heaviest hog-producing region of the nation. But, there are some large slaughter plants in Pennsylvania, New York, and New Jersey. These firms buy hogs in the Midwest, then truck them to their plants. You can see how an increase of freight rates would reduce the profits of the eastern slaughterhouses. It would increase the cost of procuring hogs. On the other hand, a reduction in freight rates would, in effect, lower their procurement costs and give them more advantage over competitors in the midwestern states.

Transportation costs of products are important in determining the location of processing plants. Milk is one of the most expensive products to transport; it spoils easily and has to be handled with extreme care. For this reason, milk plants are located usually near the producing area. Many fresh fruits and vegetables are in the same category as milk as far as hauling is concerned. Thus, canneries also are located near areas of production.

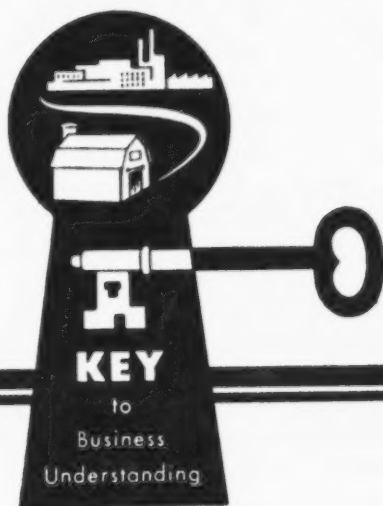
In contrast with milk, grains and cotton are stable and, although bulky, they can be hauled with comparative ease. Thus, feed mills and textile plants can be located far from the sources of production. It should be recognized that as transportation becomes more efficient, commodities can be hauled farther, and processing plants can be located at greater distances from the producing areas.

A great feed-milling center is located in Buffalo, New York, where the processing plants can take advantage of low-cost water transportation directly from the grain areas. Until recent years New England was the center of the textile industry. Changes in the labor situation have resulted in shifts to the southern states. Changes of this kind are continuing to influence the location of processing industries.

Within the agricultural processing industries are attractive and responsible positions for men and women who know agriculture, business, and economics. As processing grows to meet the needs of an expanding population, more people are needed to fill the great variety of jobs and perform the activities for feeding and clothing the nation.



Published and distributed in furtherance of the Acts of Congress of May 8 and June 30, 1914, by the Agricultural Extension Service of New Mexico State University, Philip J. Leyendecker, director, and the United States Department of Agriculture cooperating.



Town and Country

BUSINESS PROGRAM

TRANSPORTATION: Link From Producer to Consumer

MARKETING is responsible for getting products to consumers in the right place at the right time and in best possible condition. This activity invariably involves some kind of transportation, which becomes the link between producer and consumer.

In this country it all started with the "Wunder Wagon" — a product of the rich Conestoga Valley, Lancaster County, Pennsylvania. Fertile Lancaster County was, and still is, literally the bread basket of the nation.

The "Wunder Wagon" was so closely associated with this historic valley that it became known as the "Conestoga Wagon." So familiar was its appearance on the frontier that people soon called it the covered wagon for its characteristic white canvas stretched over hickory bows to protect the cargo.

The bountiful Conestoga Valley, carefully nurtured by its Pennsylvania Dutch settlers, provided a surplus of food far beyond the needs of the farmers who lived there. These thrifty people designed this wagon to help solve the first agricultural surplus problem of the nation. Just 75 miles to the east of the valley lay Philadelphia, the biggest, hungriest city of the new world. The road was but an excuse for a highway, and the wagons of the day were not designed for hauling cargo. To meet this situation, a new vehicle of transportation was provided — one that became the symbol of pioneering and adventure in a new nation.

The wagons served well. They developed markets, linked Philadelphia and frontier Pittsburgh, hauled food for soldiers of the Revolution, the Mexican War, and the Civil War.

Through more than 175 years the markets of the nation were served largely by this unique mode of transportation developed by Pennsylvanians.

But, we are more interested in the role that transportation plays in today's marketing and business: the air, rail, motor truck, and water shipments which serve to make marketing possible.

In the days of the Conestoga Wagon, shipments by water were as important as shipments by wagons. Today, however, the transportation of agricultural commodities on inland and coastal waterways is small.

Carriers and Government Regulations

Transportation now is provided through a network of railroads, highways, waterways, and airlines. The various kinds of transportation are referred to as carriers. Carrier firms range in size from a trucker with a single vehicle to the giant railroad, trucking, shipping, or airline corporation.



A YOUTH PROGRAM OF THE COOPERATIVE EXTENSION SERVICE
NEW MEXICO STATE UNIVERSITY • COLLEGE OF AGRICULTURE & HOME ECONOMICS
EXTENSION SERVICE • UNIVERSITY PARK, NEW MEXICO

A *common carrier* is any transportation agency available to the general public or anyone requiring transportation service. *Contract carriers* make independent arrangements as to rates and other stipulations directly with the shipper. The *private carrier* provides shipment only for his own cargo.

Common carriers are regulated by government in many aspects of their business operations. They must have a certificate of public need and convenience in order to operate. Rates, operating routes, insurance, and most other aspects of transactions of common carriers come under the close supervision of governmental agencies. Contract carriers have somewhat less governmental control over their operations. The private or noncommercial carriers are subjected only to regulations related to safety. In truck transportation most of the trucks are operated as private carriers with less than one fourth being common carriers. Haulers of certain listed farm products by truck are exempted from route and rate regulations.

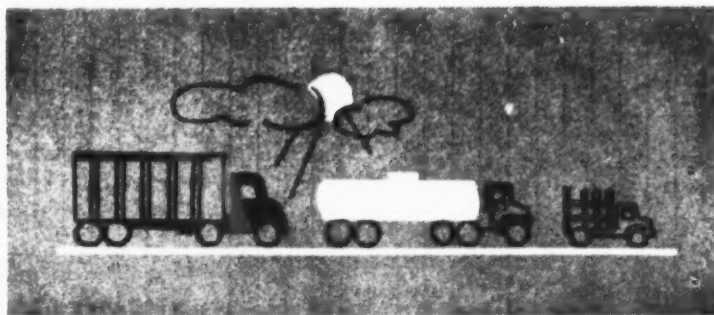
The Federal agencies which regulate transportation are the Interstate Commerce Commission for trucks and railroads, the Civil Aeronautics Board for airlines, and the Federal Maritime Board for steamship services. In its regulation of transportation the Federal government is concerned mainly with transportation from one state to another.

All states have a public agency which exercises control over the transportation from one place to another within its own borders.

Trucks and Railroads Most Important

Railroads began their growth in the mid 19th century to dominate the transportation systems. Then, in the early 1900's, the motor truck began to appear in cities for local hauls. In 1930 trucks accounted for nearly one fourth of the total agricultural costs of hauling farm products. While the development of a system of highways has reduced the proportion of hauling done by railroads, they remain an important carrier for servicing agricultural and other markets. Unlike the trucking industry, which ranges from a one-man, one-truck size firm to sizable corporations listed on big stock exchanges, the railroads are organized into large corporations often owned by stockholders numbering hundreds of thousands.

For the long-distance, big-volume shipments railroads provide services which other types of carriers have difficulty in matching. The nation's farms are the basis for a large portion of the hauling done by rail: about 18 per cent of the revenue of American railroads comes from hauling agricultural commodities. One has only to watch the passing boxcars to recognize the extent to which railroad and farm have dependent interest. About 16 per cent of all boxcar



loads originate in agriculture and better than 9 out of 10 of the loaded refrigerated cars you see are hauling agricultural products.

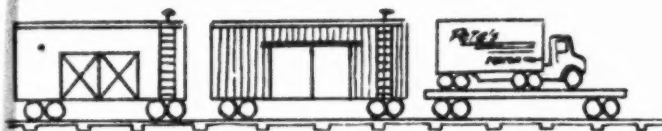
Tariff and Rates

The establishment of rates to charge for hauling by railroads and highway carriers is a complex and intricate procedure. Consideration of factors that determine freight rates for various types of cargo is called rate making. The decisions are the responsibility of the traffic departments of the carriers. These rates are published as "tariffs" or rate schedules. While the railroad and trucking firms are free to announce any rates they believe necessary, the Interstate Commerce Commission will suspend them if they are thought to be unreasonable. The Interstate Commerce Commission considers the cost of service performed and the competitive situation in approving the rates established by the railroads and trucks. The Commission assumes the responsibility to see that the rates are reasonable, and that there are no unlawful rebates. They also assure that the rates do not discriminate against any particular people, geographic locations, or commodities.

Other Services in Transportation

Railroads and other carriers do more than haul cargo. Railroads must provide stop-over points along the routes so livestock may be fed, watered, and rested. Railroads give livestock shippers the opportunity of stopping a shipment to "try the market." If the price is not satisfactory, the shipment can be hauled to the next market at the "through" rate. This flexibility gives the livestock shipper a chance to move his cattle to the most favorably priced market.

The shipper of agricultural commodities by rail can change his mind about the destination of his products during shipment. In fact, a carload of products may be started on its way to market without a definite city in mind. While the load is enroute, it can be diverted to the most favorable market that develops in the meantime. If the shipment has already reached its destination, it can be reconsigned to another point without being reloaded. The rate will continue at the "through" rate as long as no back haul is involved.



Most freight cars are owned by the railroads. Each can be identified by the initials and numbers on the cars. There is free-flow of cars on competitive lines, but each car number is recorded as it passes from one line to another. Each railroad reports to every other railroad the "foreign cars" on its lines. The railroads then pay a daily rental for the time that the "foreign car" is on its tracks.

The shipment of agricultural products — livestock, dairy products, and perishable fruits and vegetables — receives special consideration by railroads. This treatment has resulted in what the respective railroads refer to as "redball," "fast," and similar freight services. These special hauls are given the right of way over regular freight services and sometimes take precedence over certain kinds of passenger trains. In effect, these special freight services can almost approach the speed of passenger service.

You'll often hear a freight man talk about "demurrage." Demurrage is the time required for loading and unloading a freight car. Usually railroads allow 48 hours for loading and unloading. After this time railroads charge a demurrage fee for detaining the car.

Motor Trucks Show Growth

In recent years the share of farm products moved by truck has increased tremendously. Trucks do nearly all of the short hauling of agricultural products, and they are becoming more important in the long-distance haul. This use has been made possible because of the dramatic improvement in highway systems and equipment used by trucking firms. Trucks have the advantage of being able to provide door-to-door service. When shipped by rail, products must be loaded on a local truck, hauled to the railroad car, and transferred again. A local truck haul also may be needed at the other end of the rail trip.

Competitive aspects of truck and rail freight have resulted in better service and improved marketing. Railroads, for example, developed the high-speed freight service which already has been discussed. They also have moved into "piggy-back" service, which for many types of cargo combines the advantages of rail and truck transportation. "Piggy-back" involves the carrying of loaded truck trailers on railroad flat cars.

Shipping by truck provides a great deal of flexibility in movement of products. Most firms maintain contact with their fleets by telephone. Drivers enroute call in for instructions, and their destinations can be shifted according to the needs of the market. Trucks which start for New York City can be shifted to Buffalo or Pittsburgh. However, this flexibility is often impeded by widely differing laws as to size and weight limits for their loads.

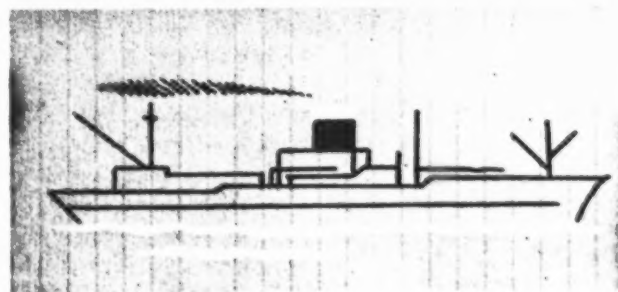
While farmers use their own trucks to do more than half the hauling to the first market, the second movement to the bigger markets is done by specialized transportation firms or common carriers. Railroads are the predominant means of transporting grain, while trucks carry the bulk of the livestock, poultry, and dairy products. In the transportation of perishable fruits and vegetables, both trucks and rail loom important. Which is used depends on length of haul, facilities available, and the competitive rates that exist between the two types of transportation.

In all forms of transportation there has been progress in the development of better methods of loading and handling farm products. This improvement is important, because it reduces losses from bruising, spoilage, and quality deterioration. For example, overloading of livestock caused millions of dollars of loss.

Water Transportation

While water transportation is not nearly so important volume-wise as is rail and truck transportation, it still plays an important role in the marketing procedure. Actually, it is more important in the marketing of nonagricultural products.

The inland waterways are especially useful in transporting grain. Barge rates for hauling grain are much lower than for either truck or rail. Where speed is not important, the inland waterway is often the most economical means of shipment. Inland barges and ships are especially adapted for transporting grain and similar bulky products. The Great Lakes, Mississippi River, and its important tributaries provide a good way for moving grain into consuming areas. Water rates are about one half those of trucks and rail.



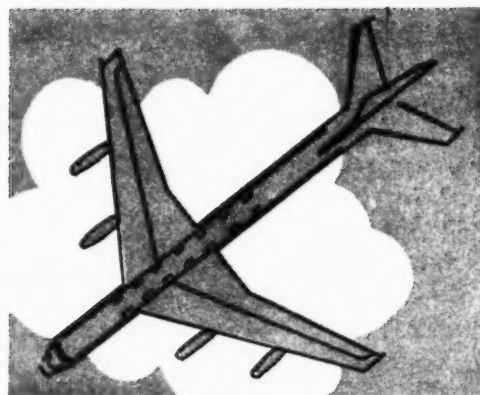
One must not overlook the role played by the export and import shipping lines that conduct foreign trade. These ships carry between 75 and 100 million tons of cargo each year — enough to fill 3600 cargo ships. The rates charged for freight in ocean shipping tend more toward "what the traffic will bear" policy than do the other types of carriers that operate only within the United States. Ocean rates are subject to very little public regulation. The export trade provides employment to a large number of workers, especially when one considers all the storage, financing, and processing needed to facilitate export trade.

Air Freight

Air freight is becoming more important in marketing, although only a small part of agricultural production is shipped by air freight. Air freight is particularly adaptable to light-weight, high-value articles where speed of delivery is essential. There are air freight carriers in both the scheduled and nonscheduled air lines. Flowers and nursery stock comprise sizable business for the air freight lines. While air transportation rates are the most expensive of the various carriers, they are often offset by the use of lighter containers, elimination of ice, and reduced spoilage losses. Inventory and storage costs also can be lowered, because with the speed of air freight, some branch warehouses can be eliminated. Air freight is used both within the country and with principal trading areas in Europe, Africa, and Asia. Australian growers ship orchids overseas by air to the United States, Great Britain, and Europe. Each bloom has its stem in an individual test tube of water and is cushioned by layers of shredded paper with each bloom laced to the bottom of the box to prevent bruising.

The costs of transportation represent a sizable portion of the cost of marketing food and agricultural products. With fruits and vegetables now coming from the more distant areas of production, the relative importance of transportation costs in the food bill increases.

Transportation research aims to find ways of reducing the cost of transportation. For example, early work in the Department of Agriculture brought better insulation of refrigerator cars and led the railroads to install floor racks, insulated bulkheads, and forced air circulation. More recent work in the transportation of perishable foods has helped to assure full protection of foods all the way from producer to consumer.



Transportation Offers Exciting Careers

Transportation is a major industry among American businesses. It provides opportunity for men and women interested in working with carriers of various kinds: rail, truck, air, and water. All carriers have sales departments that sell their services. Traffic management jobs are available in many firms. All carriers have traffic departments that determine rates and publish tariffs. They keep close contact with the governmental agencies, like the Interstate Commerce Commission, that provide general rules for operation of the carrier firms.

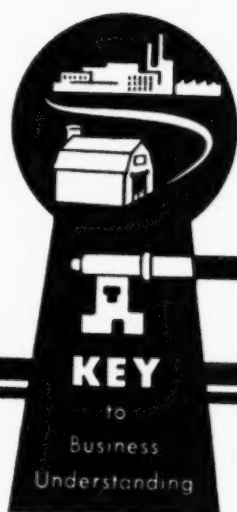
Many other firms have traffic managers, too. The traffic manager for a manufacturing firm regulates and synchronizes transportation with his knowledge of routings, loading, rates regulation, and types and conditions of equipment. He controls the movement of goods to meet the operating schedules and customers' needs. Choosing the right carrier is one of the most important jobs of the traffic manager in industry. He makes the decision to ship by truck, rail, water, or air.

In the operations department of all carriers, we find great responsibility. They develop schedules and control movement. Dispatchers keep tab on equipment along truck, rail, and airline routes. The work requires a knowledge of engineering, labor, and management.

All types of carriers are involved in terminal operations. Efficient management of terminals is necessary for the quick and efficient handling of freight. Air terminals are mostly concerned with passenger traffic, but freight will likely become more important in the years ahead. Railroads operate some of the largest terminals in the nation, which are used for the assembly of produce from all over the world.

There are many other opportunities with carriers in the transportation field: insurance, maintenance engineering, purchasing, and a variety of jobs in office management needed to handle routine records and accounts.

Published and distributed in furtherance of the Acts of Congress of May 8 and June 30, 1914, by the Agricultural Extension Service of New Mexico State University, Philip J. Leyendecker, director, and the United States Department of Agriculture cooperating.



Town and Country

BUSINESS PROGRAM

Wrapping It Up To Sell

PURPOSE: To consider the important changes in marketing which have been influenced by new packaging ideas.

DON'T LOOK NOW, but there's a revolution going on in your kitchen. It has already reached as close as your pocket or handbag. This revolution is right in your hands when you zip open a fresh pack of chewing gum. Open your refrigerator; it is there too, staring you in the face . . . the paper milk container, soft drink in cans, prepackaged meat wrapped in transparent film.

Sheets, underwear, towels, and socks are prepacked so you can see them, yet they remain snow-clean and sunshine-fresh through their journey in the marketing channel from producer to final buyer.

Aerosol spray containers are being used to package pancake mix, charcoal lighter fluid, bug spray, whipped cream, tooth paste, hair spray and paint, plus a host of others. Glue, ketchup, and deodorants and nasal spray come in plastic-type squeeze bottles. Sauerkraut, pickles, and precut meats arrive at stores in durable plastic.

Yes, the packaging revolution is one of the most dramatic aspects of today's marketing. Before the great revolution the package was just a container . . . a lowly uninviting, drab box . . . or a sack. Today the package is the salesman, the advertising medium, the display rack, and the shipping container. There are added extras, too . . . you can bake the product contained in some of the new rigid foil packages; and the homemaker can often find many uses for the new packages. Cottage cheese containers make tumblers; produce bags make handy refrigerator storage; cake tins can be used for storage units and flower planters.

The packaging revolution is being felt also on the farms of the nation. With package-conscious consumers, farm products must be adapted to the newest packaging techniques. Then, too, farmers are participating in the packaging revolution as consumers. A great portion of the items affected are consumer goods used in the farm home and purchased in the supermarket and hardware or drugstore.

While the added attractions of the modern package give customer appeal, re-use utility, and other advantages, the basic purposes of the packages are still of primary importance. The age-old purpose of a package is to provide protection and convenience.

The basic purposes of packaging—protection, ease of handling, and low cost—are especially characteristic of the shipping container phase of the packaging industry. Shipping containers include bags of various kinds (like those used for feed, fiberboard, and corrugated boxes.)

Most agricultural products start on their way through the marketing channel in shipping containers: boxes, barrels, and crates.



A YOUTH PROGRAM OF THE COOPERATIVE EXTENSION SERVICE
NEW MEXICO STATE UNIVERSITY • COLLEGE OF AGRICULTURE & HOME ECONOMICS
EXTENSION SERVICE • UNIVERSITY PARK, NEW MEXICO

Shipping Containers

Shipping containers are the rugged giants of the packaging world. Of course, they're often dressed up so they are attractive even on the unloading platform. But, their big job is to provide convenience in handling and transportation and to give protection to the products. Shipping containers can be handled and rehandled many times: loaded, unloaded, and reloaded. They may be stored in warehouses several layers deep. They must be tough enough to withstand the tremendous pressure of stacking and the impact of the sudden starts and stops of moving vehicles. Egg cases, for example, are built of highly resilient, durable, and moisture-resistant materials that can be used over many times in the egg trade. Each egg must be isolated in its respective cell by means of chipboard dividers.

Shipping containers are often palletized. This method means that they are transported or stored on pallets so a large number can be handled at one time. Using a fork-lift or pallet truck, several hundred units can often be moved at one time. You will probably see the use of pallets and the fork-lift truck during the tour of your group to a warehouse or storage building.

To move products through the marketing channels, shipping containers must be low-cost, lightweight, and ox-strong. The common corrugated and fiberboard boxes meet these requirements. They are among the most popular of all shipping containers and are used for products weighing up to 700 pounds.

The corrugated and fiberboard boxes usually arrive at the plants as "flats." That is, they're folded to save space; you can easily imagine the tremendous space needed to store "set-up" boxes at a plant which might use thousands a day.

Corrugated and fiberboard boxes can be chemically treated with asphalt, wax, and other protective substances to withstand severe exposure of weather and industrial conditions. By use of plastic bags or liners placed within them, fiberboard containers can be used for certain liquids, such as ice cream mix.

Despite the popularity of fiberboard, wooden containers still predominate for shipping agricultural products. Fruits and vegetables especially must be shipped to market in containers that have superior sturdiness and rigidity.

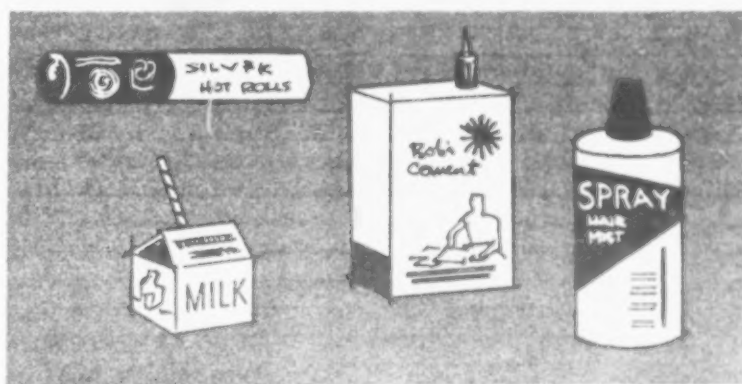
The wooden shipping containers include nailed crates and boxes. What is the difference between a crate and a box? A crate is simply a rigid shipping container of framed, open construction fastened together with nails, bolts, or similar methods of fastening. A box is a container which has closed faces (or sides).

Some of the other common wooden shipping containers are the wire-bound boxes and crates, veneer packages, and barrels.

To satisfy the lumber needs for the wooden package industry requires more than a billion board feet of lumber—as much timber as is cut in the entire New England States each year.

Steel drums are often used as shipping containers while fiber drums are commonly used for chemicals, powdered milk, and similar commodities. It is likely that the use of aluminum barrels will increase as the metal becomes relatively lower in cost.

Among the most familiar shipping containers are the heavy-duty bags. Textile bags of cotton and burlap are used for feed and grains; multiwall paper bags are used for fertilizer.



One of the interesting developments in the shipping container field is bulk handling of many commodities, notably feed, grain, and fertilizer. The bulk milk route, where milk is pumped from a farm cold-storage tank into the truck-tanker, has reduced the use of the 10-gallon milk can as a shipping container. Bulk handling of feed and fertilizer can reduce packaging costs and the use of heavy-duty bags.

Consumer Packages

Let's now leave the shipping container field to consider the colorful, glamorous stars of the packaging world—the consumer packages. Every concept of color, shape, utility, art, and design are brought into focus here. The company interested in package design has a staff of experts competent in many related areas. For example, the professional color engineer applies his basic training in psychology, physics, and optics to the marketing powers of the package itself. It must do everything a package should, plus please and attract the consumer. The customer is really the basis for the packaging revolution. The self-service type of retailing, small-lot purchases, and increased use of prepared foods are felt throughout the world of packaging. Here the requirements are not so great for rigidity and durability, so flexible

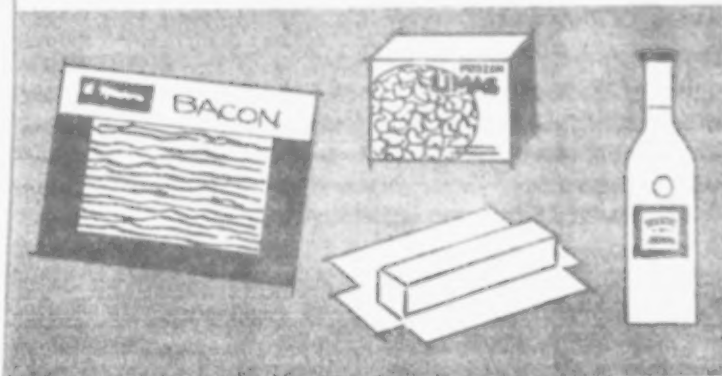
sheet packaging materials are more widely used. Paper, transparent film, and metal foils are widely used to package goods into consumer-sized units. Each of these products is adaptable to meet specific characteristics required for a particular packaging problem.

The use of transparent film has more than tripled since 1946. More than 60 kinds of cellophane are available in addition to the many kinds of polyethylene products.

In the consumer packaging field one often hears the word "prepackaging." As a term the word is losing its significance, because it merely implies the product has been packaged at some point in the marketing channel prior to selection by the customer. Chinaware, and even furniture, can be packaged in sets so that prepackaging by the retailer is not necessary.

In agriculture we usually think of prepacking as the packaging of fresh fruits, vegetables, meats, cold cuts, etc. into consumer units for self-service retailing.

The self-service store has become one of the major instruments in the consumer packaging revolution. Let's take meat as an example. To be a self-service item, meat has to be cut, weighed, and wrapped. The meat has to be visible, and the fiber tray on which it is placed must be resistant to dampness. The cello-



phane for prepacking meat has to be specially developed so the exact amount of air is permitted to penetrate the package. Retail stores were able to take advantage of self-service in the meat department only after these packaging problems were solved. It is interesting to note that the meat department was the last division of the retail store to become fully self-service.

Papers Are Important in Packaging

The papers used in packaging are highly specialized. All of us are familiar with "kraft" paper which is commonly used for grocery bags and ordinary wrappings. It is the most commonly used of all packaging

papers and is one of the major users of pulpwood from American farms and forests. It requires thousands of acres of forest land to supply the kraft paper needs of the nation. The word kraft means "strength" in the German and Swedish languages. The paper mill producing kraft is highly complicated and requires men of many specialized skills. One reason for the popularity of kraft paper is that it can be adapted to so many packaging needs.

The apple and pear wraps are unique, being made of tissue paper impregnated with special oils to prevent storage scald. Bacon wrapper must be greaseproof, while butter paper must be both greaseproof and have high wet strength. Or take the common frozen food wrapping paper; it is usually waxed and wax-laminated, resistant to both grease and moisture. It also must be pliable at low temperatures, nontoxic, of high bursting strength, and a neat, clean color.

Just recently a new stretchable paper has been introduced into the packaging field. Most kraft paper will stretch about 2 per cent, while the new product can stretch about 10 per cent. This new paper will be seen in fertilizer and feed bags, because it will stretch instead of breaking. It also stacks and handles more easily than the usual kraft paper.

Other Kinds of Packages

Cans, bottles, and tubes in many sizes and shapes are among the important members of the packaging family. Cartons and boxes make up the colorful containers for dry lines of merchandise.

Cans offer great advantages in packaging, especially for processed fruits and vegetables. They maintain the product in a palatable condition for a long time. They are convenient to store and handle, the contents are easily prepared for table use and are clean and safe.

Within a few years you will see a can which can be opened without a key or a can opener. New ways of printing designs on the cans will make them even more colorful and attractive.

Glass bottles and jars have a big selling point in packaging because the product can be seen in the container. They also are the packages which assure the least likelihood of imparting flavors to the enclosed product. A disadvantage of glass is that it is heavy compared with the tin can and, of course, breaks more easily.

Glass can be made in many attractive shapes which give products "personality" and attractiveness. Note in your drug store the many interesting shapes in which glass is used to package vitamins, cosmetics, and drugs. Glass is being developed which is stronger, lighter, and highly decorative.

Most packaging today is done by high-speed machinery. The packaging of certain products like mac-



aroma, spices, and cereals can be done at rates of 350 units per minute, including accurate weighing. High-speed vacuum fillers can bottle up to 450 containers a minute. The need for speed in automatic packing makes the selection of the proper package all the more urgent.

There are predictions of machinery developments to handle up to 1000 containers per minute with precision and accuracy.

Labels

The label is an important aspect of today's marketing revolution, since most products are packaged so that the customer can't pick them up to feel, handle, smell, or examine closely.

The self-service selling of today's retailing means that a label must be fresh, different, and attractive. It must tie in closely with advertising campaigns. When television is used for advertising, the label must be easy to read and to remember in the flash-short time it appears on the screen.

The label of a successful product must become so familiar that the customer reaches for the item without having to look for the brand name.

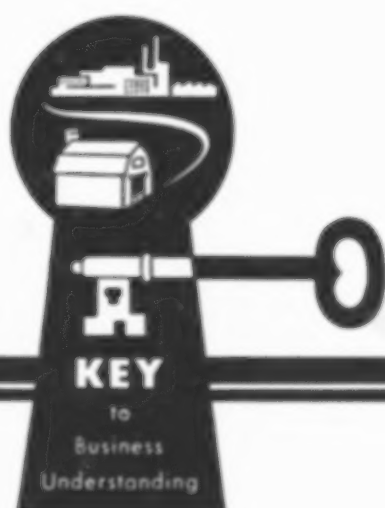
Labels must fill exacting specifications: can labels, for example, are specially made on paper with a hard smooth finish, so they resist scuffing in handling. These labels come in hundreds of different shapes which are formed through a procedure known as die cutting. The label must fit the kind of product to which it is attached: candy and cosmetics take fancy labels, while automotive goods best use plain, straightforward-type labels.

Progressive companies keep abreast of public taste in their design of labels and packages, and some will make slight changes every 3 to 5 years.

Yes, the label is an integral part of the package, telling the customer what the product is, who makes it, and how the customer can get the most satisfactory use of the product. The little label has a tremendously big job to do!

Better packages and packaging help reduce the cost of marketing. The progress in this field has made possible self-service retailing and it provides us with more sanitary, easily handled, and convenient products.

All indications are for even brighter promises from the field of packaging during the years ahead.



Town and Country BUSINESS PROGRAM

Retailing Is Everywhere

PURPOSE: To give members a view of retailing as a part of marketing and to observe how it provides employment and marketing services in every community.

- ✱ You are thirsty. Your dime disappears through a narrow slot with a familiar click. You hear the reassuring whir from deep within the workings of the machine. The ice-cold bottle of pop is delivered ready to satisfy your wants of the moment for refreshment.
- ✱ You study a mail-order catalog carefully. You can fill out an order blank for nearly anything from nails to furniture. Your goods are delivered to your door.
- ✱ A door-to-door salesman knocks at your door. He sells directly to you and other residents in the community.
- ✱ The service station attendant "fills 'er up" as you make ready for a vacation trip. Except to stretch, you don't have to get out of the car. (You might even use a credit card to defer paying for the gasoline.)
- ✱ You casually push a cart down the aisles of a supermarket, stopping at the dairy case, meat counter, and grocery shelves. You select items from thousands of products.

EACH OF THESE examples — from vending machine to supermarket — illustrates a way of selling to the consumer. That's just what retailing is: selling goods and services to the ultimate consumers. You can name hundreds of examples of retailing. Retailing is so common to our everyday lives that we tend to overlook its tremendous contribution to our living. We often are unaware of the possibilities it holds for exciting and profitable careers.

THE RETAILER — Important Middleman

We have learned already that marketing involves the task of getting goods from the producer to the consumer. This complex job is done by middlemen organized into proprietorships, partnerships, corporations, or cooperatives, each being a different way of organizing a "team" for business purposes.

Now let's consider the retailer and the important person he is in today's business world.

The retailer is the last stage in the channel of distribution. He's the man or woman who provides a product or service for the consumer.

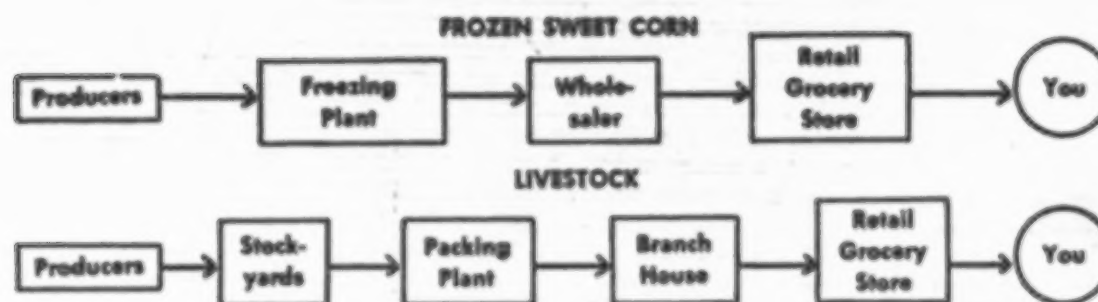
Retailing is a "key point" in marketing. It is one of the major institutions in the marketing structure. Usually, when you speak of marketing, you picture the retail store as you see it in your role as a customer. All your life you have been a customer. But now, we're going to look at retailing from another side — the retailer's side.

The diagram on the next page shows where retailing fits into the marketing channel, using frozen sweet corn and livestock as examples.

Examples of Retail Establishments

Using examples from your own home town, you'll recognize that the retailer is a merchant who specializes in selling to the consumer. He is also one of the middlemen who fits into the channel of distribution between the producer and consumer.

Let's now consider some of the important types of retail organizations that handle products from our farms.



Direct Sales and Roadside Markets

In certain sections of the country some farmers take their products directly to the consumers as with an egg route, or the consumer may drive out to buy directly at the farm or at the farm's roadside market. Here the producer is the salesman for his own product. The most successful ventures of this kind are located close to heavily populated areas where large groups of consumers are all potential customers. Sometimes, self-harvesting services are offered where consumers come to the farm and gather their own berries, peaches, apples, and vegetables.

Public Markets

In the public markets, groups of farmers display their products for sale to consumers. These markets may be on an open street, under a shed, or in a building. They may sell either wholesale or retail. Public markets are not so popular as a means of selling farm products as they were prior to World War II.

At one time the sellers at public markets were all farmers who displayed their goods on "market days." More recently, however, many of the spaces occupied in the public markets are held by individuals who specialize more in sales than in production.

A very small proportion of the total commodities produced on farms move through either roadside stands or public markets. Most farmers have found they can make more money by spending their time in planning and operating their farms, leaving the selling to other people. Some, however, manage their farm business so they can take advantage of direct marketing systems.

You can see by these examples that the farmer and his wife selling eggs directly to customers on an egg route, at a roadside stand, or in a public market are among the millions of people engaged in the fascinating retail trade.

Independent Stores

The independent store is usually controlled by individual ownership or management in the category of a proprietorship or a partnership. However, some large independent stores are corporations. Even though chain stores are becoming more important every year, independents are quite important in selling food and fiber to consumers.

The independent is especially important among eating places, hardware stores, and farm equipment

dealers. The owner is usually the full manager and may perform all the marketing activities of the business.

Independent stores have the advantage of close personal contact with customers, which is difficult for larger establishments. The "independents" can take advantage of this situation by providing goods and services designed to fit a selected group of consumers.

Voluntary and Cooperative Chain Groups

To take advantage of large-scale promotion for sales and services, popular brands and other management assistance, some independent retailers contract with wholesalers for these types of business aid. These arrangements are known as voluntary chain groups.

Some of the well-known voluntary chain groups handle groceries, hardware, and clothing.

Chain Stores and Chain Store Systems

A chain store is one of the retail units in a chain store system. A chain store system consists of four or more stores which carry the same kind of merchandise, are centrally owned and managed, and are supplied from one or more central warehouses.

Pioneers of retailing like J. C. Penney, F. W. Woolworth, B. H. Kroger, and George H. Hartford found that profitable stores could be developed by selling a large volume of goods at narrow margins. They also learned that savings could be made by operating a number of stores under one management.

As with many other aspects of marketing, chain stores developed to take advantage of specialization. Growing out of the general store, which handled crackers in a barrel and kraut in a keg, the modern chain store specializes in the kind of goods it handles. Even within the store, the departments are specialized. The food store has its special produce, meat, baked goods, and other departments.

Because we buy supplies of food almost every day for home use, we are most familiar with chain stores that sell groceries. But there are chain stores that handle many other kinds of merchandise—Shoes, hardware, drugs, variety merchandise, and auto parts—and they, too, are located in practically every community.

Local and sectional chains also operate in every community. Local chains are ones that have several stores in a single trade area; the sectional chain has stores in a larger geographical area.

Retailers in Your Community

List examples by name of local business firms
to illustrate each type of retailer.

1. Roadside Market _____
2. Public Market _____
3. Independent Grocery Store _____
4. Voluntary Chain _____
Grocery Store _____
5. Cooperative Chain _____
Grocery Store _____
6. Corporate Chain Grocery Store _____
7. Department Store
Chain ☐ _____
Independent ☐ _____
8. Grocery Supermarket
Chain ☐ _____
Independent ☐ _____
9. Variety Store
Chain ☐ _____
Independent ☐ _____
10. Drug Store
Chain ☐ _____
Independent ☐ _____
11. Restaurant
Chain ☐ _____
Independent ☐ _____
12. Shoe Store
Chain ☐ _____
Independent ☐ _____
13. Lumber — Building — Supplies _____
14. Hardware _____
15. Farm Supply and Equipment _____
Cooperative ☐ _____
Independent ☐ _____
16. Auto Supply
Chain ☐ _____
Independent ☐ _____
17. Furniture and Appliances _____

Supermarkets

Some member of your family probably goes to a supermarket regularly. We've come to think of the supermarket as a large, self-service store which has grocery, meat, produce, dairy, and housewares departments. Usually, the supermarket has a large parking lot to accommodate the mass of customers it serves.

Generally, these stores are cash-and-carry and appeal to customers with low price and a wide variety

of foods. Almost all stores operated by the chain companies are big enough to be supermarkets. However, supermarkets are not the exclusive domain of chain systems. Some supermarkets are owned and operated as independents. Many supermarkets are independently owned but are affiliated with one of the voluntary chain organizations.

Cooperatives and Retailing

In some ways you might consider the farmers' purchasing cooperative as a retail establishment. The

major purpose of the purchasing cooperative is to acquire supplies or services for producers at the lowest possible cost. The name implies a purchasing group. These supplies are frequently bought in large volume, giving the cooperative some of the characteristics of a wholesale business. Usually, any person can buy supplies at a co-op as he can at any other retail store.

A small number of consumer-owned cooperatives operate grocery stores and gasoline service stations. These retail establishments are owned by the buying members. They represent a very small proportion of the retail food and gasoline sales of the nation.

Department Stores

To buy an evening gown, a man's suit, a carpet, or pots and pans, you'll likely go to a department store. These retail stores handle a wide variety of goods for use by the consumer family. Each of these lines is carried in a specified department, such as piece goods, men's clothing, women's clothing, and home furnishings.

Some department stores are organized into chain systems and may even be mail-order houses. In recent years many of these mail-order houses have established retail outlets as well in many communities.

Some of the widely known names among department stores are members of a chain system; however, the independently owned department stores account for more than one-third of the sales.

Retailers in Your Community

Now that you have studied the types of retailing operations, try to list the ones you have in your community. This list will help you remember the various types of retailing. Notice that some of your examples can fit into different squares.

MERCHANDISING — Key to Retailing

The biggest job the retail merchant has is one of merchandising. Merchandising is the planning involved in marketing, to have the right merchandise at the right place, the right time, in the right quantities, at the right price. Only through skillful merchandising can the retailer serve the customers, turn a profit, and stay in business.

Merchandising is the planning phase of running the retail store. The good merchandiser looks at things from the customer's point of view.

As a result of merchandising (or market planning) many of the basic marketing jobs are performed.

SELLING is the primary job performed by the retailer, but buying must precede the selling. The retailer will buy wholesale in large volume—case lots and even car loads. From close contact with customers the retailer buys the type of merchandise best fitted to the customers he serves at the best

possible price. Indeed, *merchandise selection* is one of the major aspects of the retail business. The buyer for a retail store must answer these questions:

What should we buy?

When should we buy it?

Why should we buy it?

How should we buy it?

Where should we buy it?

The retail merchant *assembles* from millions of items available to him the ones he feels will best meet his customers' needs, wants, and desires.

TRANSPORTATION is not a major function of retailing, but many firms will have a truck or a fleet of trucks to haul products from suppliers and to provide delivery service to their customers. While most retailers prefer and usually receive products which have been previously graded, some grading may be performed in the produce department of the retail grocery firm.

Some of the big retail grocery chains also own *processing facilities* for meat packing, pasteurizing, canning, freezing, and baking.

Retailers attempt to reduce their *storage* operations to a bare minimum. However, it is obvious that storing is done on the shelves, in the stock rooms, and in the warehouses of larger retail food stores.

Financing and risk bearing play a part in the retail store, too. Money is invested in stocks and inventory as well as in building and equipment. Risk is involved whenever items are bought. There is always the risk that the product may not appeal to customers, may be improperly priced, go out of style, or deteriorate in storage.

The marketing information functions are conducted through *advertising* in local papers so consumers can know about prices, new products, and stocked brands.

PACKAGING AND DISPLAY are among the most obvious of retail store features. Along with sales and service, they represent the very life blood of any retail business operation.

How a Large Corporate Chain Store Is Organized

The large national chain store organizations may have sales ranging from a hundred million to nearly five billion dollars. The number of employees in these large firms can range from several thousand to nearly 200,000. The owners or stockholders may reach the 100,000 mark.

To guide and direct a far-flung organization involving so many people and so much money, equipment, and supplies requires an organization as smoothly developed as a champion football team.

A study of the following diagram will give you an idea of the way a big marketing business (national chain) might be organized:



Job Prospects in Retailing

Retailing is second only to manufacturing in employment of people. More than 1,700,000 retail firms in the country employ nearly 9,000,000 people — one of the fastest growing parts of American business. Opportunities in retailing include a wide range of interesting jobs:

Buying	Accounting
Advertising	Insurance
Transportation	Finance
Personnel	Manufacturing
Public Relations	Sales Promotion
Industrial Relations	Real Estate
Store Operations	Construction
Food Technology	Law
Merchandising	Research
Warehousing	Taxation
Engineering	Packaging

You may feel that these kinds of positions are found only in the big food chains; but they are found also in department stores, variety stores, farm imple-

ment stores, purchasing cooperatives, and even restaurants, which also are a form of retailing.

Larger retail organizations offer regular training programs so employees are better prepared for their jobs. With this training you can take greater responsibility, leading to promotion and more pay.

While the small grocery store is rapidly disappearing, the chances of self-employment are as great in retailing as in any other field. Some of the nongrocery lines — apparel, hardware, and farm supply — are still predominantly owner-operated. Many small stores provide their owners with a good living, and you can start your own business with a minimum of capital.

Starting salaries usually are not high in retailing, but progress is rapid for the qualified and capable person. Too often, however, the salary scale in retailing is judged on the basis of part-time, seasonal, or student labor. These wages, of course, are lower than those paid the full-time career worker.

For women no field offers so many career opportunities as retailing. Over 37 per cent of all retail employees are women, and they hold nearly half of the executive positions in department stores.

Published and distributed in furtherance of the Acts of Congress of May 8 and June 30, 1914, by the Agricultural Extension Service of New Mexico State University, Philip J. Leyendecker, director, and the United States Department of Agriculture cooperating.



Town and Country

BUSINESS PROGRAM

How Is Money Obtained for Marketing? Finance and Risk Bearing

PURPOSE: To create an awareness of the need for financing by firms and consumers; and, to examine the accounting statements used by business to record its financial position.

Money is a "must" to start even the most simple business — a farm, small shop, store, or factory. Marketing is one of the functions of operating a business even though the firm may range in size from a small roadside market to a giant processor.

Let's say you live on a farm. Your father has given you an acre of land on which to plant sweet corn. You could sell this corn along with your Dad's crop at the processing plant, but you have a better idea. You'll build a stand and sell directly to motorists who drive along the highway.

But, the stand, even a simple one, costs money to build. You need money for lumber, nails, and a canvas awning to keep the produce protected from the sun. You have to buy some paper bags for packaging people's purchases. And, you would like to buy some other products at wholesale to diversify your business. For example, people who stop to buy sweet corn might want to buy some apples, too.

How A Corporation Gets Money

You estimate your project will cost you \$100 to get into business. This investment is known as capital. From where will the \$100 come? You can get only \$10 from your savings account. You may borrow the additional money at a bank, but for business purposes there are other sources of money, too.

You may decide to organize "Garden Fresh, Incorporated" to market your products. The privilege of organizing a corporation and selling shares of stock is regulated by government, so certain legal procedures



must be followed in setting up your firm. After you have completed these requirements, you may sell shares in "Garden Fresh, Inc." at \$25 per share, so you would have to sell four shares to get the needed capital. But, it's much easier to sell 20 shares at \$5 each, and then some of your classmates might be able to afford to buy shares.

As you sell shares in "Garden Fresh, Inc.," the shareholders become part owners in the company. If the company makes money, they will share in the profits. If "Garden Fresh, Inc." loses money to the point of bankruptcy, the shareholders may lose their entire investment.

Since the shareholders are part owners of the company, they want to have a voice in its management — how you run the company. They will elect representatives to be on your board of directors. They

will vote on these representatives, based on the articles of incorporation and the shares of stock they own. Thus, if some person has purchased five shares, he would be entitled to $\frac{1}{4}$ of the voice in management of the company.

Now, if one of your shareholders needed his money during the summer, he would have to sell his stock. The price he could get for the stock would depend on the eagerness of people to be part owners of "Garden Fresh, Inc." If your business appeared to be making a profit with prospects for even greater growth, people may want to buy shares of "Garden Fresh, Inc." and be willing to pay more than the original \$5 for the stock.

Part or all of the profits may be distributed among the stockholders. These returns are called dividends. They are not guaranteed and can be paid only after all other obligations are met. The board of directors, however, may decide to retain a part of the profits to re-invest in the business for a refrigerated display or some other item to stimulate sales.

On the other hand, a drop in sales or some other discouraging experience at "Garden Fresh, Inc." might make some of the present stockholders willing and even glad to sell for less than the \$5 they originally paid for "Garden Fresh, Inc." shares.

Each shareholder in "Garden Fresh, Inc." will be entitled to his proportionate share in the profits of the firm. If "Garden Fresh, Inc." goes out of business and sells its equipment, shareholders receive proportionate shares of the money from the sale. The successful corporation, however, continues to operate after the founders leave the firm — an advantage of the corporate-type organization.

Let's also study how other business organizations get the money they need for marketing and other purposes.

Proprietorship: this type of firm usually has a relatively small investment, compared with other types of organizations. The owner acquires his money from his own savings or by borrowing from a bank or individual.

Partnership: this arrangement usually provides greater access to money because more than one person is involved in the business. Sometimes each partner will contribute equal amounts of capital, but many other kinds of arrangements can be made. Indeed, in some partnerships one person will provide most of the capital to start the business, while another partner will supply labor and management skills as his contribution.

Cooperative: this structure consists of a group who organize to mutually perform specific serv-

ices, especially for the membership. It will use many of the same means of acquiring funds as any regular business corporation. The big difference is that the co-op members or patrons are the source of a major portion of the money. The members buy stock issued by the co-op. Cooperatives which market farm products can secure capital by deducting a small amount from each bushel (or other unit) handled by the organization. In payment for such deductions the producer is issued a "certificate of indebtedness" or other evidences of ownership. During this period the cooperative has use of the money which really belongs to the patron or member.

Turning back now to our "Garden Fresh, Inc.," you need only a small amount of money. You sold stock to friends and neighbors to finance your business. Many small firms do exactly the same thing.

The buying and selling of the securities which finance regular business corporations is a highly specialized procedure. Most of the organized trading takes place on a stock exchange. Major cities have such exchanges, with the most important being located in New York and Chicago. Member firms of these stock exchanges have offices in nearly every city in the United States.

The *financing* function is the obtaining and handling of money to carry on the various aspects of the business. Wherever and whenever there is a time lapse in handling a product, money is tied up in the operation. Someone must finance this holding of goods. The period of time may be relatively short, as in the marketing of perishables (strawberries, lettuce); or the time can be long, a year or more, as in the marketing of most canned goods. Financing may take the easily recognized form of advances from various lending agencies or the more subtle form of tying up the owner's money. Regardless of the type, financing is a necessary activity in modern marketing.

The *risk-bearing* function is acceptance of the possibility of loss in the marketing of a product. Marketing, like every other form of business activity, involves risks. In fact, a very high proportion of the total risks involved in business operations occurs in the field of distribution. Risk goes hand-in-hand with the ownership of goods, and, like other functions of marketing, risks must be carried by someone; they cannot be eliminated. Various kinds of risks may be placed in the following classifications:

Physical risks — those which occur from natural hazards such as fire, wind, cold, heat or damage.

Market risks — those which occur from price declines because of quality deterioration; price

changes because consumer demand declines and/or supplies become very abundant; or price drops because general business conditions become unfavorable.

A marketer can minimize some of the *physical risks* by transferring them partially to an insurance company for a fee. For those commodities for which "future exchanges" exist, *market risks* can be reduced.

Remember the differences between the functions of financing and risk bearing. The need for financing is due to the lag in time between the purchase and disposal of products, while the need for risk bearing arises from the possibility of loss during the period that goods are held.

To this point financing and risk bearing have been presented only as they pertain to marketing. Now, let us consider the financial structure of business in a broader sense, regardless of the type of operation.

Every business enterprise must have an initial investment by its owners. People own or invest in businesses for income or profit, directly or indirectly. It is very unlikely that all of the capital needed in financing a business is furnished at all times by the owners. In a profitable business, however, a high proportion of the capital required will be furnished by the owners. If risk of loss were absent in a business, the management might succeed in borrowing the entire amount of needed capital.

Need For Accurate Accounting

Successful business management depends on accurate accounting records. Profits or losses at the end of a year are the net results of a series of financial transactions taking place during a specific period. These transactions are characterized by sales and operating expenses, such as the purchase of commodities, salaries, wages, heat, light, telephone, repairs, interest, taxes, and supplies.

At the end of each fiscal year, a 12-month period, all accounting records are summarized and presented in the form of two financial statements: the balance sheet and the profit and loss statement.

Balance Sheet. The balance sheet presents the financial picture of a business at a specified time. It is a statement showing all property owned by a business, with all claims against it. Therefore, a balance sheet has two main parts: (1) Assets — property owned by a business, and (2) Liabilities — what a business owes to creditors and owners.

The first part, assets, property owned by a business, represents money or things that can be converted

into money for paying claims of creditors and owners of the business.

The second part of the balance sheet shows who has *claims* on the property listed as assets. Two groups may be listed as having claims on the property — creditors and owners. Creditors are people or firms that have extended credit in the form of cash, goods, or services to the business and have claims on the property equal to the money value of credit extended. Owners are those who have invested capital in the business. The claims of owners are secondary to those of creditors.

Profit and Loss Statement. The "P. & L." statement is often called the operating statement. It summarizes by sources the income received by the business and all expenses incurred over a limited period of time.

Uses of Financial Statements. There are two general groups of persons interested in what financial statements reveal: those having interest as owners or as management, and those outside of the business.

Those controlling a business are striving for efficiency, and financial statements are tools to measure the operations accurately. Financial statements are used by management to determine the success of the business.

Others interested in the business operations include creditors, investors, tax officials and government regulatory bodies. Creditors — whether they are sellers of goods or services on time, bankers, or any other persons extending credit — want to know the ability of the business to pay its debts. Creditors must safeguard their own business existence.

Structure of Financial Statements

Balance Sheet. As previously stated, a balance sheet reveals the financial condition of a business on a specified date. It is a listing of all property owned by the business with all claims against it, the amount of debts, and the amount of investment by owners.

Suppose you (John Doe) bought a farm for \$38,000 on January 1, 1960, and you valued the land at \$20,000, the house at \$10,000, and the machinery at \$8,000. You made a down payment of \$20,000 and gave the seller a mortgage for the remainder. Your financial statement would have these items:

John Doe			
Balance Sheet — January 1, 1961			
Assets		Liabilities & Net Worth	
House	\$10,000	Mortgage owed (Liability)	\$18,000
Land	20,000	Net Worth (Investment)	20,000
Machinery	8,000		
Total Assets	\$38,000	Total Liabilities & Net Worth	\$38,000

This is an example of a simple balance sheet, but even more complicated ones are similar. Many items may be shown under assets, but each is a property of the business. The balance sheet of the large business may include numerous liabilities, each a claim against the business. The net worth section always shows the money invested and claims of the owners against the business.

Marketing Association Balance Sheet December 31, 1961 ASSETS			
1.) Current Assets			
Cash		91,800	
Accounts receivable	\$1,560,000		
Less: allowance for bad debts	60,000	1,500,000	
Inventory		1,360,000	
Total Current Assets			\$2,951,800
2.) Investments			
Other firms or securities			137,000
3.) Fixed Assets		135,000	
Land			
Buildings	\$5,200,000		
Machinery and equipment	2,500,000		
Automobiles and trucks	990,000		
Furniture and fixtures	127,000		
Total	\$8,817,000		
Less allowance for depreciation	3,225,000	5,592,000	
Total Fixed Assets			5,727,000
4.) Other Assets			
Prepaid insurance			5,000
Total Assets			8,820,800
LIABILITIES AND NET WORTH			
5.) Current Liabilities			
Accounts payable — trade	\$ 270,000		
Accounts payable — producers	790,000		
Notes payable	185,000		
Mortgage payment due 3/1/60	50,000		
Employees taxes withheld	38,700		
Accrued payroll and payroll taxes	117,600		
Total Current Liabilities			\$1,451,800
6.) Fixed Liabilities			
Notes payable	\$ 125,000		
Mortgage payable	200,000		325,000
7.) Net Worth			
Capital Stock — Common	\$1,695,500		
— Preferred	4,998,500		
Reserve for Contingencies	350,000		
Total Net Worth			7,044,000
Total Liabilities and Net Worth			8,820,800

The balance sheet on p. 4 is of a complex marketing firm. It is simply an expansion in details of the balance sheet on p. 3. The first section shows assets or property owned by the business. Assets are divided into these categories:

1.) **Current Assets.** These represent cash or items that can be converted into cash in a short period of time. Cash, accounts receivable (goods sold on credit), and inventory are usually found in this group. All accounts receivable may not be collected, so an allowance for bad debts is set up in order to place a true value on them.

2.) **Investments.** Most businesses have investments in other businesses or in securities like government bonds. These represent property and are shown as assets.

3.) **Fixed Assets.** These are assets of a permanent nature used in the operation of the business. All assets of this type (except land) depreciate as soon as they are put in use; so, over a period of years an allowance for depreciation of \$3,225,000 has been charged against operations since the fixed assets were purchased.

4.) **Other Assets.** Prepaid items are current expenses paid in advance of the benefits received.

The second section of the balance sheet shows liabilities and net worth. Liabilities are debts owed by the business. They are placed under the following headings:

5.) **Current Liabilities.** These represent debts due in a short period of time — usually less than one year.

6.) **Fixed Liabilities.** These represent debts due after one year.

7.) **Net Worth.** Represents the equities of the owners. It is the investment or claims by the owners on the assets of the business. The net worth items shown are common and preferred stock and reserves. The reserve for contingencies represents funds set aside as a cushion against inherent risks of the business.

The Profit and Loss (Operating) Statement is another important financial statement. It shows the results of operations of a business over a given period of time. Our sample shows the condensed operating statement of a marketing firm for the year ended December 31, 1960.

To the management of a business the operating statement will show efficiencies and inefficiencies of operation. For most businesses the cost of goods sold

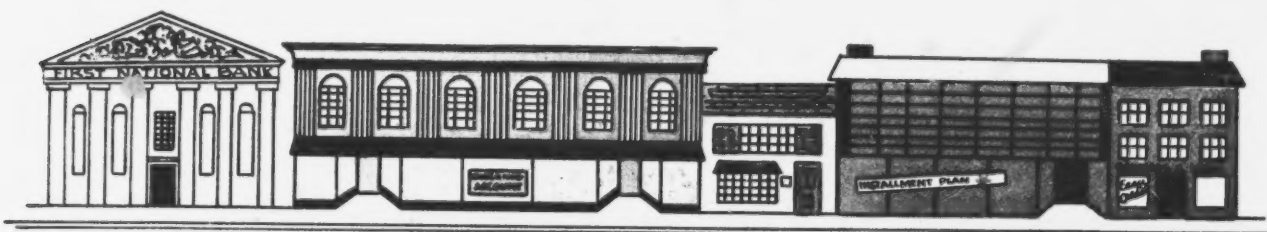
Marketing Association Operating Statement Year Ending December 31, 1960		
Revenues		
Sales	\$19,225,000	
Less: returns to producers	12,120,000	
Gross Profit		\$ 7,805,000
Operating Expenses		
Salaries and wages	\$ 5,925,000	
Supplies	650,000	
Depreciation	300,000	
Taxes and licenses	457,000	
Advertising	75,000	
Utilities	625,000	
Truck expenses	540,000	
Bad debts	25,000	
Insurance and bonding	90,000	
Interest	305,000	
Miscellaneous	454,000	
Total Expenses		7,175,000
Net Profit		\$ 630,000

58

is, by far, the largest item of expense. The difference between this figure and the amount for which goods were sold is very important. This sum must be large enough to cover expenses and realize a profit.

Analysis of Financial Statements. Two phases of financial statements have been discussed: use and structure. The third and most important phase is an-

alysis and interpretation of financial statements. The relative changes that occur within a business from time to time, and how the changes compare with comparable business, must be studied. As the physician diagnoses the condition of a patient, a person qualified to analyze financial statements can reveal the weak and the strong points of the operations of a business.



Consumer Credit In Marketing

The type of credit needed to operate a marketing firm is known as producer's credit. Consumer credit, also called "buying on the installment plan" and "buying on time", lets the consumer have the use of goods while paying for them. Some could save and pay cash for the item but prefer to start enjoying it immediately.

There are some goods which depend heavily on various forms of consumer credit to facilitate marketing. For example, nearly every firm selling automobiles or household appliances must also be in position to aid in consumer financing.

The consumer who knows his way in marketing will get all the costs of a credit purchase and compare the total with the cash price. Financing charges differ, and a little comparison often can save money. Your personal marketing can be made more effective through use of good credit sense.

It is up to the consumer to figure the cost of using credit. The dollar cost is the easiest to figure. True interest rate is difficult to determine; however, it does give a better way to compare financing charges.

THE DOLLAR COST is the difference between the cash price of an item or amount of money received on a loan and the total amount paid to the firm or lender.

THE TRUE INTEREST RATE may be difficult to figure. When you borrow \$100 at 6% and keep it all for a year, and then repay the lender \$106, the \$6 is a true interest rate.

If the \$6 is deducted in advance, it is said to be discounted. The true rate is then higher as you have the use of only \$94.

If the payments are made each month on the *total amount*, (including principal and interest), the true percentage rate is about twice the stated rate.

FORMULA TO FIGURE TRUE INTEREST RATE

$$\frac{2 \text{ (carrying charge X number of payments in a year - 12 or 52)}}{\text{Amount of loan or balance due} \times \text{total number of payments} + 1} = \text{true interest rate}$$

EXAMPLE — Cash price of refrigerator \$240.00

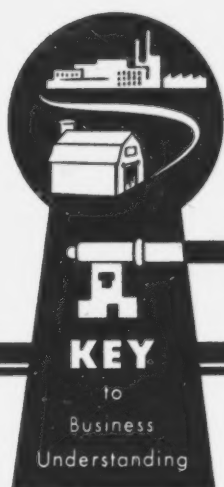
Using installment credit

Down payment	\$ 30	
12 monthly payments of \$19 each	228	
Total cost	\$258	Total cost
Less cash price	240	Less down payment
Financing charge	\$ 18	Balance due
		\$228

Using formula to determine true interest rate —

$$\frac{2 (\$18 \times 12)}{\$228 \times 13} = \frac{\$432}{\$2964} = 14.6\% \text{ true interest rate}$$

Consumer credit is an important device in marketing. The use of consumer finance has furthered the progress of industries. The question facing the consumer in the market place is not "Should credit be used?", but rather, "How can it be used wisely?"



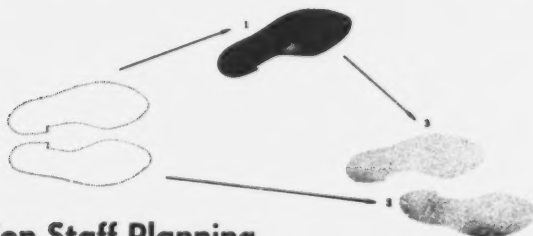
Town and Country

BUSINESS PROGRAM

400-Y-21-61

GUIDE TO COUNTY PLANNING

A Supplement to Extension Workers' Guide



First Step County Extension Staff Planning

PURPOSE: To explore the program and initiate county planning procedures.

The first step in County Planning involves a Conference of County Staff Personnel, which could include representatives of State 4-H Club Staff and/or Marketing Specialist.

- Decisions to be made:
Are we interested in having a Town and Country Business Program?
Who on County Staff will be responsible for program?
What type of participation is best for our county?
For example:
All boys or all girls
Combination of both
Age groups to be reached
Will this be joint effort between Agriculture & Home Economics
- Decide on one or two business leaders who might be interested in participating in Second Step of Planning.
- Develop a strategy for creating interest among key people.
Don't simply send out notices for the meeting described in the Second Step. It takes person-to-person interest building at this point.
- Who from State 4-H and/or Marketing Staff can help implement the Second Step?
- What kind of evaluation should we build into program?
- Consider and arrange time and place for Second Step Meeting.

A YOUTH PROGRAM OF THE COOPERATIVE EXTENSION SERVICE
NEW MEXICO STATE UNIVERSITY . COLLEGE OF AGRICULTURE & HOME ECONOMICS
EXTENSION SERVICE . UNIVERSITY PARK, NEW MEXICO

Second Step
Planning With Local People

PURPOSE: To introduce the program to representatives of selected interest groups. Determine reaction to program and gain support.

Who to involve in second step of planning meeting

Local conditions will determine extent of representation and involvement from the following groups.

Extension Personnel

Person or persons from County responsible for program.

Business and/or Civic Organizations

One or two representatives of Business or Civic Organizations (possibly Chamber of Commerce representative).

Youth

One or two boys and/or girls who can be counted on for participation and leadership, and represent the views of youth toward the program.

Leader or Leaders

Possible representation from following groups:

One or two people from the County Leaders Organization

Junior Leaders

Member of County Extension Committee

One or two potential organizational leaders

Parents

One or two parents to obtain their reaction to the program.

School Counselor

When available and interested.

State 4-H Club Staff

Helpful with organizational procedures in getting first group started.

State Marketing Staff

Helpful in suggesting business firms and a good source of marketing ideas.

What to do in second step of planning meeting

Further Understanding of Program

Explain purpose of this planning committee. Be sure those invited understand the Town and Country Business Program. (Use Slide Set A — Introducing Town and Country Business Program.)

Create Interest

Review needs for this type of program in county. Tell some of benefits to business and to Extension.

Discuss Membership

Consideration of these criteria:

As part of community club.

Within established 4-H Club framework With Y.M.W. Groups.

In cooperation with school system Combination of 4-H and non 4-H

EXAMPLE OF OPERATING SCHEDULE AS DEVELOPED
IN ALLEGHENY COUNTY, PENNSYLVANIA

COUNTY Allegheny

EXTENSION AGENT HAVING PRIMARY RESPONSIBILITY Jack Paules

ORGANIZATIONAL LEADERS Clair K. Sparks Monroeville, Pennsylvania
Patrick Flaherty New Kensington, Pennsylvania

Meeting Date	Key Point Topic	Key Visit Date	Firm Participating	Business Leader	Meeting Place
April 4	General Meeting	none	Extension Service	P. Glenn Harr	Chamber of Commerce
April 25	What Marketing Means To You	none	Extension Service	L. V. Rubright	Gateway S. H. S.
May 9	Wrapping It Up to Sell	May 22	Fort Pitt Tomato Co.	Howard E. Reed	Board Room of Allegheny County Farmers Assoc.
June 6	Standards & Grades	June 20	Armour and Company	Bill Reese	Gateway S. H. S.
July 13	Processing Improves Living	July 13	H. J. Heinz Company	O. C. Rosemeier	Company Facilities
Aug. 7	Sales & Service	Aug. 23	Sears Roebuck & Co.	Charles Edmonds	E. Liberty Store
Sept. 6	Wholesaling	Sept. 21	Morrison & McCluan, Inc.	Joe Quinn	Gateway S. H. S.
Oct. 3	Retailing	Oct. 18	Kaufmann's	Miss Lois Anderson	To be announced
Nov. 1	Transportation	Nov. 14	Baltimore & Ohio Railroad	A. L. Sherry	To be announced
Jan. 7	Assembly & Storage	Jan. 7	Meadow Gold Dairies	Jack Hiles	Board Room of D. C. S.
Feb. 7	Finance and Risk Bearing	Feb. 7	Hellon Trust Co.	?	Board Room of Bank
March 7	Summary Meeting	7			

g Staff
suggesting business firms and a good
marketing ideas.

n second step of planning meeting

standing of Program
urpose of this planning committee. Be
o invited understand the Town and
usiness Program. (Use Slide Set A —
g Town and Country Business Pro-

Create Interest
Review needs for this type of program in the
county. Tell some of benefits to youth, to busi-
ness and to Extension.

Discuss Membership
Consideration of these criteria:
As part of community club.
Within established 4-H Club framework.
With Y.M.W. Groups.
In cooperation with school system.
Combination of 4-H and non 4-H groups.

Others: in cooperation with Grange, Boy
Scouts, Girl Scouts, etc.
Caution: Keep numbers small enough so group
can be handled successfully on Key
Visit — 25 to 30 recommended.

Consider Leadership
Organizational
Discuss type of organizational leadership
needed — if not already selected, get sug-
gested names of potential organizational
leaders and make arrangements to contact
them.

Business
Suggested Leaders to be discussed at this
first meeting. Business Leaders to be deter-
mined as operating schedule is completed.

Junior
Junior Leaders, if available can be most help-
ful.

Develop Tentative Operating Schedule
(See example in center.)

Key Points to Cover
Make list of Key Points as determined by
planning committee along with suggested
dates for meeting and visits.
Length of Program (no specific requirements)
To be determined on basis of interest and
number of business firms available.

Refer To and Review
Leaders' Guide
Extension Workers' Guide
Management Guide Book

Secure Organizational Leader or Leaders
At this point, select from group or secure else-
where. Ideas for procedure can be found in Ex-
tension Workers' Guide.

How to get the job done
Plans for Contacting Business Firms
Luncheon Meeting of Firms Involved — not es-
sential, but idea gaining in popularity.
Personal Visits

Procedure for Acquainting Youth
Personal Contact — (by County Staff - Organi-
zational Leader - Junior Leader)

EXAMPLE OF OPERATING SCHEDULE AS DEVELOPED
IN ALLEGHENY COUNTY, PENNSYLVANIA

ITY Allegheny
SION AGENT HAVING PRIMARY RESPONSIBILITY Jack Paules
IZATIONAL LEADERS Clair K. Sparks Monroeville, Pennsylvania
Patrick Flaherty New Kensington, Pennsylvania

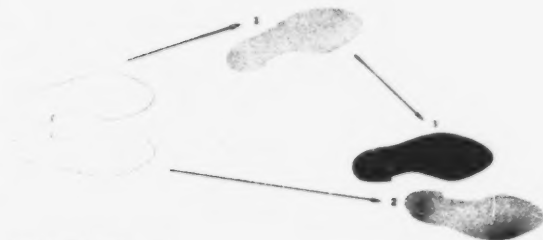
ing a	Key Point Topic	Key Visit Date	Firm Participating	Business Leader	Meeting Place
4	General Meeting	none	Extension Service	P. Glenn Harr	Chamber of Commerce
25	What Marketing Means To You	none	Extension Service	L. V. Rubright	Gateway Sr. H. S.
9	Wrapping It Up to Sell	May 22	Fort Pitt Tomato Co.	Howard E. Reed	Board Room of Allegheny County Farmers Assoc.
6	Standards & Grades	June 20	Armour and Company	Bill Reese	Gateway Sr. H. S.
13	Processing Improves Living	July 13	H. J. Heinz Company	O. C. Rosemeler	Company Facilities
7	Sales & Service	Aug. 23	Sears Roebuck & Co. Morrison	Charles Edmonds	E. Liberty Store
6	Wholesaling	Sept. 21	& McCluan, Inc.	Joe Quinn	Gateway Sr. H. S.
3	Retailing	Oct. 18	Kaufmann's	Miss Lois Anderson	To be announced
1	Transportation	Nov. 14	Baltimore & Ohio Railroad	A. L. Sherry	To be announced
7	Assembly & Storage	Jan. ?	Meadow Gold Dairies	Jack Hiles	Board Room of D.C.S.A.
7	Finance and Risk Bearing	Feb. ?	Mellon Trust Co.	?	Board Room of Bank
7	Summary Meeting	?			

Regular 4-H Club Meeting — Y.M.W., Extension Meetings

Schools — Vocational Guidance Counselor

Special Meeting of Youth

Through County or State 4-H Newsletter, other media such as radio, newspaper, T.V.



Third Step

Planning Each Key Meeting and Visit

PURPOSE: To plan program and develop procedures for each Key Point Meeting and each Key Visit. This is the outlined procedure.

Who Involved

Organizational Leader & Business Leader with assistance from Junior Leader and Extension Personnel — after organizational leader has had ample training, extension personnel then act as resource people.

Develop Program for Each Key Point & Visit

First meeting* — This is first meeting of total youth membership. Hold in Board of Director's Room, or other appropriate location — usually no tour.

Introducing Town & Country Business Program*
(may want to invite parents)

What Marketing Means to You

Slide Set

Speaker

Discussion Period

All other meetings of youth — One planning session to develop each Key Point and associated Key Visit.

Key Point Meeting

Program — Slides — Business Leader Discuss Topic

Participation by youth

Meeting Place

Discussion Period

Social Period, if desired

Key Visit

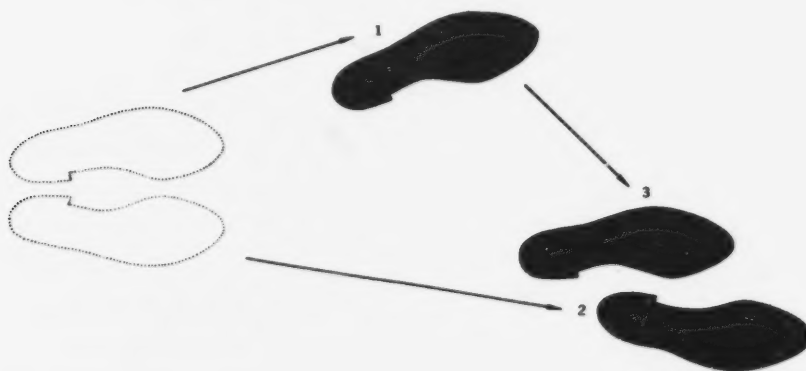
Review the Role of Business Leader

Review Management Guide & Pre-Tour the facilities

Arrange transportation to business firm

Time of Day

* If preliminary meeting not held.



Published and distributed in furtherance of the Acts of Congress of May 8 and June 30, 1914, by the Agricultural Extension Service of New Mexico State University, Philip J. Leyendecker, director, and the United States Department of Agriculture cooperating.



Town and Country

BUSINESS PROGRAM

THE FOOD SERVICE INDUSTRY

FOOD SERVICES: Commercial and Institutional

PURPOSE: To examine an important phase of retailing and the opportunity it offers young people.

Sister attends the consolidated school — she has lunch in the school lunch-room.

Father works at a manufacturing plant — he has lunch in the plant cafeteria each working day.

Brother is a soldier doing his tour of military service — he takes meals in his unit's mess hall.

Our family travels together on vacations — we eat at restaurants, hotels and motels during these times away from home.

This is the normal pattern of life today. **ONE MEAL IN EVERY FOUR** eaten in America today is served by some form of quantity or mass food service outside the home.

Approximately **ONE-FOURTH** of the farmer's edible products find their way to the ultimate consumer through restaurants and institutions. Sales of food to this market run from 18 to 20 **BILLION DOLLARS** per year! Eating places represent an important part of the retail market for agricultural products.

Almost all of this change has occurred within the last half-century. In 1900, only about one meal in twenty was served outside the home. Nearly everyone either came home for lunch or carried one with them in a "dinner pail." The armed forces were small and were not a great factor in the distribution of food. Commerce did not require the travel it does today. Transportation facilities were not generally available for pleasure and recreational travelling. Domestic "help" was low cost — even families of moderate income had "hired girls." Entertaining was largely a home function, few people went out to eat.

A YOUTH PROGRAM OF THE COOPERATIVE EXTENSION SERVICE
NEW MEXICO STATE UNIVERSITY . COLLEGE OF AGRICULTURE AND HOME ECONOMICS
EXTENSION SERVICE . UNIVERSITY PARK, NEW MEXICO



... commercial operations serve a "free" clientele ...

The trend toward eating away from home is continuing. In the restaurant field alone the dollar volume of sales has increased more than 500 per cent since 1930.

What Type of Operations Make Up This Market?

The food service market is composed of widely diversified units. There are types that meet the desires, incomes and functions of every segment of the population.

There are two major categories of food service: commercial and institutional. *Commercial operations* serve a "free" clientele. Their patrons can choose where, what, when and how they wish to eat. The establishments serving this market are the eating places: restaurants, hotels and motels. *Institutional operations* serve a "captive" market. Patrons are not free to choose alternative places to eat. These operations are illustrated by hospitals, school cafeterias, armed forces installations, correctional and other institutions.

The eating place industry is made up of typically small scale firms but there are a few chain organizations and large individual establishments.

Commercial operations show a further wide diversification in types to appeal to the tastes and pocket-books of the public. They range from the drive-in or diner with low cost, limited menu service, to the luxury, "gourmet" type restaurants. The latter are illustrated by formal hotel dining rooms and night-clubs offering music, dancing and entertainment as well as food and beverages.

Commercial operations are engaged in a specialized type of marketing. The Census of Business lists restaurants, cafeterias and caterers as a type of retail store. The manager of an eating establishment faces many of the same marketing decisions as any other marketing manager. There are problems of procurement, pricing, selling, promotional activities, store location, product development, sales forecasting and many others which easily fall into marketing.

Commercial operations, like other retailing ventures, are highly competitive. They depend for their continuing existence on their ability to sell their food and service to the public. There is continuous pressure to keep costs in line in order to meet competition and maintain a desirable margin of profit.

Institutional operations, on the other hand, exist because of the need to feed individuals as an adjunct to some other major objective. Institutional operations are not ordinarily concerned with profit but are required to operate within a fixed budget determined in advance. In all food operations nutrition is an important consideration.

The restaurants as well as the institutional operations perform many of the functions of marketing: buying, assembling, storing, processing, financing and risk taking. The large restaurant chains have market research specialists constantly making systematic studies of these problems as they are faced by their particular company.

Both the commercial and institutional food service operations have several features in common: ... each installation is a complete operation or marketing cycle within itself. It procures raw or semi-processed materials, it transports, stores, processes and packages its products. ... Generally the operations are of a limited and local nature. ... It deals with the most perishable



... institutions serve a "captive" market ...

of products. . . . Its product — food — is a basic necessity for continued human existence.

Trends in the Industry

Trends in the food service industry are closely tied to the social changes of the population. The change from a rural to an urban economy, the development of transportation and the changing role of the family in society are influencing the industry's development.

Within the industry there is a trend toward larger capital investments, increased sales per unit, reduced size and greater efficiency in the plant. Food service operations may be classified in many ways: by type of service such as family style, buffet, cafeteria, or table service units; by type of menu such as sea food restaurant, steak house, charcoal grill, or tea room; or by the characteristic of the foods served such as French, Italian, or German restaurants specializing in



... people eat at all hours ...

the items famous in the country named. Because of the large investment required to meet competition in any of these types, it is increasingly difficult to start a business on a "shoestring." However, compared with other types of business, restaurants are primarily small, single owner operations.

Rising labor costs are forcing this industry to seek ways of improving operational efficiency. This presents need for better, more efficient, personnel; for improvements in equipment; and the design of food preparation and service areas.



... promotional activities ...

The percentage of raw food cost to selling price has remained relatively constant during the past 25 years. During the same period the percentage of labor costs to selling price has almost doubled. In an effort to control rising labor costs the food service operator has been forced to develop new techniques and procedures which reduce the hours of labor necessary to produce a given product. Examples are the use of self service display cases and coffee urns in cafeteria lines, the use of preportioned meat items and prepeeled or dehydrated potatoes. The latter two items are processed in bulk plants at a cost below that which the individual food service operator would experience.

Opportunities for Youth

The industry today is impeded by the lack of trained and skilled personnel. The personnel problem has led to the expansion of chain management and centralized production facilities in the industry. Opportunities for youth were never greater than they are today in the quantity food service field.

There are opportunities for skilled and managerial personnel to achieve a good income and maximum security with expanding chain operations. For some, it is a field where the trained and experienced individual can aspire to own a profitable business — be his own boss!

The mortality rate in commercial food service operations is high largely due to the fact that so many units are opened by persons who are not adequately

trained. Almost a third of the businesses of this type which open fail within the first two years, many because those operating the business do not understand the techniques of preparation, pricing, and service which are essential for success.

Chain management can function efficiently in many of the more routine food operations — fast food service, transportation terminal establishments and even in certain institutional situations and in-plant feeding operations. Chain management has not been highly successful in the "atmosphere" type of establishment. Success in this particular situation depends upon the personality of the operator.

Opportunities in food services are open to both men and women. About one-quarter of the most prosperous restaurant operators in the nation are women. A high proportion of the top management personnel of the large chains are also women.

Many of the most successful commercial food service operations are "family" operations. It is one of the few occupations available where the family work unit has proved to be highly successful.

There are several reasons for the shortage of trained personnel:

There is a lack of knowledge on the part of youth of the opportunities that exist.



... the family work unit is successful ...

The industry requires the services of those willing to work hard. People eat at all hours, and the food service operator must be there to serve them. Thus,

the hours are long. In the past, working conditions in many operations, particularly in food production, have not been satisfactory. This factor, however, is changing rapidly.

... While special schooling and training enable the individual to start at a higher level, speed up promotions, and make advancement to more important positions ultimately possible; there is no substitute for experience in the food service business. An



... there is no substitute for experience ...

on the job training period is usually required to learn the trade and move up to the better paid positions.

... As in most industries, the pay for unskilled labor is low in relation to hours required.

... The social status of the highly trained segment of the industry in America is not as high as in Europe and some other parts of the world — again a condition which is changing rapidly with the growing prominence of the industry.

The conditions which lead to the shortage of competent personnel provide the major opportunity for the individual willing to work toward a goal.

Additional information on career opportunities for youth, as well as details on the many scholarships and internships or executive development programs is available through universities offering training of this type, and the trade associations in the food service field. Existence of these programs alone is evidence of the industry's need for capable and qualified personnel and its eagerness to help those who enter it to achieve success as rapidly as they can absorb the necessary knowledge.

Published and distributed in furtherance of the Acts of Congress of May 8 and June 30, 1914, by the Agricultural Extension Service of New Mexico State University, Philip J. Leyendecker, director, and the United States Department of Agriculture, cooperating.